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Secure Livelihoods for South Sudanese Refugees and Host
Communities in West Nile region, Uganda (Migration Project)

Village Savings and Loan Association

Trainer's Guide

October 28, 2017

DISCLAIMER

This training manual was developed by AFARD and Plam Corps with funding from Austrian Development Cooperation, Bruder und Schwester in Not Innsbruck (BSI) and Caritas Kärnten through HORIZONT3000.

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Introduction

1.1 About the Migration Project

The civil conflicts in South Sudan has since 2013 resulted into increased influx of refugees into West Nile, Uganda. As at February 2017, the FAO estimated the total refugee population in West Nile region at 628,000 people (86% women and children, 3% the elderly, and 5 people per household). While the progressive Uganda Refugee Act (2006) and Refugee Regulations (2010) allow refugees freedom of movement, the right to work, the right to own a business and property, and access to education and health care, right on arrival, refugees compete with the local citizens for scarce resources such as land, water, housing, vegetation, food, social infrastructures (education, health, water sources, transport) and employment. In a bid to enable refugees and host communities to achieve economic, social and environmental self-sufficiency, HORIZONT3000 in partnership with the Agency for Accelerated Regional Development (AFARD) and Palm Corps secured a two-year funding from the Austrian Development Cooperation, Bruder und Schwester in Not Innsbruck (BSI) and Caritas Kärnten to support livelihood initiatives in Arua and Yumbe districts.

The primary objective of the project is, “Refugees and host communities have secure livelihoods and contribute to sustainable development within Rhino camp and Yumbe resettlement areas, in West Nile Region, Uganda.” The specific objectives are:

- i. To improve the nutrition status of 750 targeted households (60% female headed) in refugees and host communities;
- ii. To increase the income of 750 targeted households and 225 beneficiaries in refugees and host communities;
- iii. To promote peaceful settlements for refugees and host communities where natural resources are conserved and shared; and
- iv. To capitalize and share the experiences made in this project as learning exercise to deal with refugee dynamics.

1.2 Why Village Savings and Loans Association (VSLA) Plus 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 group cohesion. The Village Savings & Loan (VSLA) 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.

Our VSLA model 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, and farming as a business. In such an integrated way, MIGRATION PROJECT envisages that the VSLA model will mobilize beneficiary communities, equip them with relevant business management capabilities with which they can set their life goals and use their savings as instruments for income generation and investments. These gains add value to access to financial services and strong organizational and managerial capacities that VSLA offers to the poor.

1.3 Implementation structure and principles

AFARD and PALM CORPS will implement MIGRATION PROJECT using a simple coherent structure, namely: The Project Steering Committee will oversee the Project Staff who will work hand-in-hand with Farmer Field School Facilitators (FFSFs) whose cardinal roles will be to form and strengthen Farmer Field School- VSLAs.

MIGRATION PROJECT will reach out to both refugee and host communities through a community group approach of the VSLA model. Every FFS-VSLA will be formed using the 7-principles of small business development in Box 1. Critical are:

- Have a constitution and by-law/byelaw signed by all members
- 65% 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.
- Maintains good working relationship with their local government including regular reporting.
- Approves one agro enterprise for MIGRATION PROJECT 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 1: The 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:

- 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.
- 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.
- 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.
- 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).
- 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.
- 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.
- 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 for use by the Project staff and VSLA facilitators (FFSFs) who are involved in the process of training and mentoring on the VSLA methodology for MIGRATION PROJECT.

Preparatory Meetings:

The Preparatory Phase that precedes the training of the VSLAs has three purposes:

1. To obtain permission from local authorities and leaders to work in a particular area and to enlist their support in organizing a public meeting to outline how the program works.
2. To describe to a public gathering how the program works and how people may get more information
3. To explain to the communities why the VSL methodology is integrated into the MIGRATION PROJECT.
 - To provide a detailed description of how a VSLA operates, the core principles, methodological best practices, quality indicators/success drivers or factors, VSLA monitoring and management as well as the role of the FFSF.
 - To introduce the beneficiaries benefiting from the MIGRATION PROJECT Project (MIGRATION PROJECT) to the qualities of effective VSLA members and their roles in establishing and nurturing a strong and sustainable VSLA as well as the membership selection criteria.

Table 1 below lays out the order in which these meetings take place and the content.

	Meeting A	Meeting B	Meeting C
Type of meeting	Supervisor and FFSF orient local leaders and government officials on the integration of the VSL methodology in to MIGRATION PROJECT	FFSF introduces the VSL methodology to the community	The first meeting of FFSF with self-selected beneficiaries
Content	<ul style="list-style-type: none"> • Introduction of the implementing organization and the project • Target group to be served and their participation • Objectives of integrating VSLA in to the MIGRATION PROJECT. • The financial intermediation services the beneficiaries will access from the VSLAs. • The policies of MIGRATION PROJECT the beneficiaries MUST adhere to. • Role of local leaders and administrators 	<ul style="list-style-type: none"> • How the VSL methodology works • How interested individuals can form new VSLAs • Critical Success factors. 	<ul style="list-style-type: none"> • Step by step description of how VSL works • The methodological Best Practices. • Strengths and limitations of the VSLAs. • Roles of VSLA members. • Qualities of effective VSLA members. • The training sessions/modules. • Objectives of integrating VSLA in to the MIGRATION PROJECT. • The policies of MIGRATION PROJECT on VSLA the beneficiaries MUST adhere to.

Comments	This may take more than one meeting and may involve district and sub county officials before reaching communities.	Open meeting (1-2 hrs), anyone can attend, usually at public places like market, church, mosque, etc.	Attended only by beneficiaries who have committed to joining a VSLA and who show this by having formed themselves into a group
	Output: Local leaders are aware and supportive of MIGRATION PROJECT and VSLA methodology	Output: 1. Community members are aware of and interested in MIGRATION PROJECT and VSLA methodology 2. Date and venue or 2nd community meeting agreed	Output: 1. Self-elected and informal beneficiaries groups formed Date and place of first training

MEETING A: ORIENTATION OFFICIAL LEADERS AND GOVERNMENT OFFICIALS ON VSLA INTEGRATION:

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

Most important will be community level administrators and local leaders. These are the people who can arrange a public meeting and who can contact influential community leaders.

What is covered in this meeting?

- Introductions: the supervisor introduces him/herself, the project and the implementing organization and also introduce the FFSF and the other project staff and talk about how the new project will feed into or contribute to the on-going or previous activities.
- Financial intermediation services offered by VSLAs to members.
- The MIGRATION PROJECT policies on VSLA.

The target group and why they must participate in the VSLA established.

- To build unity and cooperation among the beneficiaries for combined efforts for their own development.
- To develop self – help culture among the beneficiaries to build their own capital through savings habit and develop repayment culture.
- To create awareness among the beneficiaries 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 beneficiaries for future needs.
- To provide credit facility timely to the beneficiaries for investment in productive ventures.
- To build the capacity of the beneficiaries 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 members and community.
- To establish network with other VSLAs for experience sharing, mutual learning and support.
- To save resources for timely procurement of agro-input

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

1. Savings.
2. Credit/loans for:
 - Agricultural production, processing/value addition and collective marketing.
 - Business (start up, improvement and expansion).
 - Emergencies.
 - Education.
 - Construction.
3. Social insurance covering:
 - Sickness.
 - Funeral.
 - Education.
 - Disaster.
4. Business counseling and mentoring services.
5. Market/technology information.
6. Financial Literacy Education focusing on:
 - Savings management.
 - Debt Management.
 - Budgeting.
 - Bank services
 - Financial negotiations.

The MIGRATION PROJECT Policies on VSLAs the beneficiaries must adhere to:

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

- The association is believed to be fully formed immediately after formulation of group constitution and by-law and VSLA constitution and by-law and registered at the respective sub county.
- Include input fund as one of the core concepts and save for the agro – inputs.
- Save With a Purpose (SWAP) with clear goals which have to be evaluated from time to time.
- Family members can be in the same VSLA but they should not take loans at the same time.
- At share out, the association should agree on a percentage of their savings to be left to begin with at the next saving cycle and this should be included as a saving policy in the constitution and by-law.

The Project Officers and FFSF then promise the following to beneficiaries.

- Reliability
- Integrity: (FFSF, organization level)
- Sustained service delivery: Establishment of a sustainable service that needs community support and has an important economic impact.

Feedback (Q&A session):

The PO/FFSF asks the members if they have any questions arising from the presentations for him/her to answer.

MEETING B: INTRODUCING THE VSL METHODOLOGY TO THE COMMUNITY:

For the meeting to be effective and successful, the FFSF is required to do a door to door mobilization to ensure equal information dissemination is done to all the community members. The FFSF needs to strengthen the following skills:

- Effective listening skills.
- Self- confidence.
- Effective communication/facilitation skills.
- Audibility.
- Trustworthiness.
- Create rapport with the members.
- Access to information.
- Knowledge of the subject matter.

What is covered in this meeting?

- How the VSL methodology works.
- How interested individuals can form VSLAs
- VSLA Success Drivers.

Description of the VSL methodology

For the Migration Project, the Village Savings & Loans' Association (VSLA) is an association of 25 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 members according to the amount each one has saved less the agreed upon opening balance for the next cycle.

VSLAs are member – owned, member – used and member – managed, implying that, the program staff will train and mentor the members 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 members.

How interested individuals can form VSLAs

Step 1: The FFSF introduces himself or herself to the group members

Step 2: Define and explain the purpose of his/her visit which is to mobilize them to participate in the VSLA.

Step 3: The FFSF will give a brief introduction of VSLA benefits and will cite examples of how VSLA has worked in some of the surrounding localities specifying how participants have benefited

Step 4: The FFSF will inquire about their past experience in group participation

Step 5: He/ she will inquire from the individual person on what would be the challenges, s/he would face if s/he joined such a group and the answer, s/he might give will include:

- Exclusion
- Intimidation
- Inability to contribute and pay back

Step 6: S/he will seek suggestion on how the challenges might be overcome so that the person will be able to attend the VSLA meeting

Step 7: The FFSF will discuss how savings will mobilize i.e. Through undertaking income generating activities

Step 8: The FFSF will conclude the meeting by inviting the individual members to a bigger meeting on a proposed date.

Emphasize that their presence in the upcoming community meeting will be highly appreciated.

The VSLA success drivers

Critical factors for VSLA success and sustainability:

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.
 - 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.
 - fund ledger.
 - Savings ledger.
 - Fines ledger.

- Loans' ledger.
 - Cash Book.
 - Pass books (savings & loans records).
 - Social fund treasurer's record.
 - Askari's record book.
 - Agro-input savings edger
4. Strong adherence to the core principles and best practices.
 5. Strict enforcement of the by-law.
 6. Excellent relationships with other VSLAs, Organizations promoting the VSLA intervention, other development agencies (IPO) 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.

MEETING C: FIRST MEETING OF FFSF WITH SELF-SELECTED BENEFICIARIES:

This meeting must be attended by the self-selected beneficiaries. The FFSF orients the members on the following:

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 members.
 - Minimizes the risk of losing members' savings through loan default.
2. Independence and Autonomy: This principle promotes:
 - Effectiveness of the Management Committee and members.
 - Strict enforcement of the Internal Rules and Regulations (IRR).
 - Participation of members 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 members in every meeting.
 - Opening and locking of cash box in front of members during meetings.
 - Keeping of keys to the cash box by three different members.
4. Timely Action Audit: This principle promotes:
 - Timely sharing of benefits/profit on members' 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.

The methodological best practices VSLAs respect:

- **VSLAs are member-managed.** FFSFs will train the members, but never manage the VSLA, write in the passbooks or touch money belonging to the members.
- **The first cycle of VSLA is a training and supervision cycle lasting for 50-52 weeks.** During the first cycle, the VSLA will meet weekly. This may change, as the VSLA sees fit, thereafter.
- **Members save through the purchase of between 1 – 5 shares every meeting.** The share-value is decided by the VSLA at the start of each cycle. At each meeting all members have the right to buy between 1-5 shares. The share value cannot change during the cycles.
- Members must create a **welfare or social insurance fund**, to use for small grants when members 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 members 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 members 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 members, NOT the Management**
- **Committee;** Loans are not given to non-members.
- **All VSLA transactions are performed at meetings in front of all the members.** To ensure that transactions do not take place outside VSLA meetings, cash and passbooks are locked in a cash-box secured with three padlocks. The three keys are held by three members, none of whom is a member of the Management Committee.
- **Theft of boxes by outsiders is very rare, but members must take responsibility for security.**
- Stealing/ conniving with outsiders to steal the box will be dealt with by police and the courts of law.
- **All members have an individual passbook.** Share purchases are recorded in the first half of the passbook using a rubber stamp. Loans are recorded in the back of the passbook. Loan Fund and Social Fund balances are noted by the Record-keeper in the social fund ledger and memorized by all members at each meeting.
- **Passbooks remain locked in the box between meetings.** The keys to the cash box are kept by three different members. The cash box is opened and locked in a meeting in front of the members. This is very important, to prevent tampering with the records of shares purchased by the members, 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 members 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. Members 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 members 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.

The strengths and limitations of the VSL methodology:

Strengths of the VSL Methodology	Limitations of the VSL Methodology
It is based on savings which means that members work with their assets and not with loan liabilities (debts). This increases their livelihood security and reduces their exposure to risks.	<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
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 members 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.	
<p>The distribution system allows participants to acquire useful lump sums of capital at a predictable time that can be invested in longer</p> <p>– term activities or meet large, predictable expenses.</p>	
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.	

Feedback (Q&A session):

The PO/FFSF asks the members if they have any questions arising from the presentations for him/her to answer.

Roles of effective VSLA members:

- Developing clear savings goal and plan.
- Save in every meeting.
- Regular meeting attendance.
- Adherence to the by-laws.
- Proper assessment of members before loan approval.
- Guaranteeing each other during access of social fund and loan.
- Using loans for the intended purpose and making timely repayment.
- Monitoring loan use.
- Effectively participate in resolving conflicts within the Association.
- 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 members 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.

Qualities of effective VSLA members:

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

- Know each other and be from same community
- Not live too far from where the meetings will be held
- Have a reputation for honesty and reliability
- Be able to attend all meetings
- Attend all meetings on time
- Follow all rules
- Have a cooperative personality.
- 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 members from the same household join different VSLAs. However, it is also okay for two or more members in a household to join the VSLA; provided not all of them take the loans at the same time.

- Not argumentative but cooperative
- 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
- Have time to spare for Association meeting

Note: The FFSF 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 loan 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 FFSF

The obligations of the FFSF:

- Train members on all the modules/sessions.
- Mentor the VSLAs on records, meeting procedures, enforcement of the constitution and by-law.
- 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 members during action audit.

The obligations of VSLA members:

- Attend all the sessions/modules.
- Follow time.
- Adhere to the Core Principles, Best practices and the Policies of MIGRATION PROJECT 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 MIGRATION PROJECT team, Local Authorities and other development partners.

The FFSF explains that there are 5 training modules/sessions:

Module 1: VSLA Concepts

Module 2: Group formation (General assembly, leadership & elections, development of constitution and by-law & registration, conflict resolution)

Module 3: Records keeping.

Module 4: Meeting Procedures & first saving meeting.

Module 5: Action Audit, share out and graduation

The FFSF informs the members that, the training session lasts for 5 days or spread over a period of 5 weeks. Each training takes between 1 ½ to 2 ½ hours. In each, training, one or two modules may be covered.

Then agree with the members on the training day, time and venue.

Training Modules/ Sessions

MODULE 1: VSLA CONCEPTS:

Step 1: Recap of the previous meeting on VSLA principles, best practices, strengths and limitations of the methodology, roles and qualities of VSLA members.

Step 2: Introducing the session/module on VSLA Concepts.

Step 3: Overall objective of the module:

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

Step 4: FFSF explains the following outputs of the module:

- 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, savings and loan policies.

Step 5: FFSF introduces the first VSLA concept.

1ST CONCEPT: SAVINGS:

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 6: The FFSF 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 FFSF then asks the association to describe the basic difference between the two.

The FFSF 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 predictably 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 FFSF further draws out the notion that savings are more important to beneficiaries 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 MIGRATION PROJECT through the VSLA integration emphasizes savings.

Step 7: The FFSF 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 8: 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.
- 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 9: The FFSF 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
- division of losses amongst members

Step 10: 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 11: 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 FFSF 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 12: 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 FFSF 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 13: The FFSF 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 five 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?

2ND CONCEPT: LOANS:

Step 1: The FFSF explains that, the 2nd VSLA concept is loan highlighting that, issues to be discussed in the concept will include:

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

Step 2: The FFSF goes back to the flip chart or paper showing why people borrow. S/he asks members if anyone has received a loan from a bank, from a money lender, cooperative, family member or friend. The FFSF asks what the purposes of such loans been and lists them on a flip chart. S/he discusses the loan use as productive and consumption loans.

Step 3: The FFSF 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 members' 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 members' savings to be used to finance a loan for someone else for a purpose that (s) he disagrees with.

Step 4: Avoiding over-indebtedness: Ask:

What are 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
- 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.

Challenge the members on some of the consequences of not repaying a loan:

Ideas can include:

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

Explain

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

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

Step 5: the FFSF takes the members through a process of developing the loan disbursement policies, ensures the following are highlighted:

1. Purpose of the loan:
 - Farming.
 - Household emergencies.
 - Education.
 - Construction.
 - Business/investment (start up, improvement and expansion).
2. Loan applications shall be approved by the General Assembly (members).
3. Every member MUST borrow from the VSLA.
4. A member shall NOT access a loan using another member's name or pass book.
5. Members with outstanding loans shall NOT access another loan before clearing the outstanding loan.
6. No loans to members who are absent for whatever reason.
7. No top up loans to members.
8. 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,
 - sources of income,
 - Productive asset base,
 - Level of cooperation and family support.
 - Past performance with loans.
 - 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.

9. The maximum loan given to a member shall be three (3) times the member's total savings at the time of accessing the loan.
10. Priority for borrowing shall be given to borrowers applying for the first time.

Step 6: Developing loan repayment policies:

1. Loan duration of 1- 4 months depending on the wish of the member and the level of the investment/business.
2. No grace period for loan repayment.
3. Monthly interest of not less than 5% or more than 10% on reducing balance.
4. No loan shall be written off even if the borrower dies.
5. Every month the borrower must repay at least the interest.
6. At the period the loan must completed.
7. What happens to the loan of a borrower who has withdrawn from the VSLA?
8. When will the VSLA take action to recover loans from defaulters?
9. 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 soldoff?
 - Who will meet the cost associated with the recovery?
 - Redeeming the saving of the guarantors.

3RD: CONCEPT - INTEREST:

Step 1: The FFSF 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 members. In borrowing money from the VSLA, we are borrowing for a limited period from all the members 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 FFSF 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 	<p>The arrow below indicates that 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</p>	<p>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</p>

Relating to Anderu's story, the FFSF 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 members (as it would be if they had borrowed from a bank). It ends up back in their pockets and is in effect, another form of savings because they get it at the end of the cycle when the money is saving out.
- To discourage borrowing without a serious need or purpose.

FFSF concludes with drawing out the responsibilities of a borrower. The following are worth mentioning:

- 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.
- Seek for business or investment advice from members

4TH CONCEPT: WELFARE/SOCIAL FUND:

Step 1: The FFSF starts by defining welfare fund as the funds contributed by members to cater for household emergencies and social obligations. S/he notes that welfare fund is the first thing /activity to be considered in a normal meeting. That the welfare fund is not treated like everything else and the money that is raised for the welfare fund is kept separate from the money collected in the form of savings, otherwise if it is mixed 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 FFSF points out loans may not be suitable to meet emergencies and it is normal for VSLA to develop a welfare fund provide grants or interest-free loans to members who encounter special problems and disasters. Members 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 welfare 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 members 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 members' latrine sinks or is destroyed by fire or wind
2. Members contribute uniformly to the social insurance in every meeting.
3. Members are allowed to make up for days missed in the subsequent meetings.
4. Record of members' 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 members accessing the fund for the first time.
9. Members with outstanding amount shall NOT access more money from the insurance fund.
10. A member shall NOT access the fund for another member.
11. Members 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
and
13. Association member. Both must sign for evidence.
14. Members absent for whatever reason shall NOT borrow from the fund.
15. Members who borrow from the fund MUST sign in the social fund treasurer's record book as evidence.
16. Social fund balance shall be kept outside the cash box by the treasurer and produced to members 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.
17. Social fund shall NOT be given out as loan.
18. A member's social fund shall be redeemed to refund any outstanding amount or repay loans.
19. Members who persistently fail to contribute to the fund shall be denied the opportunity to borrow from the fund.
20. 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.
21. The VSLA keeps the social fund treasurer's record book to track borrowers, amount borrowed for what emergencies, repayment dates and record repayments made.
22. Members who have not refunded the social fund borrowed shall NOT be given the opportunity to access another one.
23. Maximum amount members can borrow from the social fund.
24. Request for social fund shall be approved by the General Assembly (members).
25. 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.

5TH CONCEPT: AGRO - INPUT FUND:

Step 1: The FFSF starts by defining Agro-input fund as the funds contributed by members of the VSLA with a target of buying agro-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 2: The FFSF points out to the association the Importance of raising funds for agro inputs as a group as follows;

While many farmers depend on farming, they mainly don't use improved agro-input

The primary reason is that many don't save money for buying inputs as and when it is needed

Many also lie to themselves that they can take loans to buy inputs. Experience shows that loans are often not enough during peak seasons e.g., planting time due to high competition. With small savings, when all members need loans the fund available become inadequate. No loan means reverting back to the old inputs that gives low yield

Small savings alone cannot enable a member to achieve her/his bigger goals within a short period of time. Yet delayed attainment of goals leads to frustrations and continuous changing of ones goal

Without adequate income from better income generating venture, one's saving value will hardly increase. A good saver needs a steady and increasing cash flow so that s/he can maintain or increase her savings value.

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.

Describe the benefit using the below example

1. Take an example where a member wants to buy a cow worth UGX 700,000
2. S/he has 2 options:
 - To only save for the cow
 - To save for agro-inputs for growing beans

Savings only option

- A weekly savings value of the group is UGX 5,000
- For 50 week, 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 X-mas and other needs don't eat into the share out income earned)

Agro-input savings option

- A weekly savings value of the group is UGX 5,000
- For 24 week (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)

Step 3: Process of developing the agro-input fund policies:

1. Members contribute weekly to the agro- input fund in every meeting.
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. A member is free to use the fund saved at his/her right timing
7. Members may opt to buy inputs in groups.

Step 4: Summarize the session highlighting the key concept i.e. savings, loan, interest, welfare fund and agro input fund 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. Group formation

Step 7: closing remarks

MODULE 2: GROUP FORMATION (General assembly, leadership & elections, development of constitution and by-law & registration, conflict resolution)

Topic 1: DEFINITION AND ROLE OF GENERAL ASSEMBLY:

Objectives:

- To provide the members with a better understanding of what a General Assembly is.
- To introduce members to the roles of the General Assembly.

Step 1: Recap of the previous discussions (VSLA Concepts).

Step 2: The FFSF solicits the understanding of the members of what a General Assembly is:- writes their responses down. The FFSF concludes the discussion by defining General Assembly as the supreme body of the VSLA.

Step 3: the trainer then asks the members to suggest other characteristics that are important in a member of a village savings and loan association. As the suggestions are made they should be noted by the FFSF for reference. Try to ensure that the following characteristics are mentioned.

- Approve membership.
- Elect the management committee.
- Determine the registration fee and annual subscription.
- Set the minimum savings value and the social fund.
- Fix the interest rate.
- Develop and amend the by-law and policies.
- Assess the performance of the management committee.
- Replacing the management committee.
- Organize a special meeting where the problems can be discussed and decisions taken to correct the problem.

The FFSF further explains the following:

- All members of the Association are members of the General Assembly.
- All members have the same rights in the Association.
- All members 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 constitution and 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 members 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 4: The FFSF then asks the members whether there is a difference between an association and a gathering. The following characteristics should be able to emerge from the discussions:

An Association	A Gathering
• Longer term	• Temporary
• Members have the same goal and sub goals	• Very specific
• Members conduct their activities together	• Different activities can take place at the same time
• Has leader and rules/regulations	• The participants may not see each other again after a gathering
• Members manage conflicts and solve problems together	• Dissolve as soon as a problem arises
• Members have a bond of solidarity	Loose members not bonded to one another
• Has a limited number of members	Multitudes of people
• Allows exchange of knowledge	Mostly “lectured” by the convener.

Step 5: Questions and answers, give them an opportunity to ask questions on how to conduct a training of this session.

Step 6: Summary and conclusion:

The FFSF summarizes the session highlighting the key issues talked about during the session i.e. roles of the General Assembly and individual member roles.

FFSF then announces the topic of the following training so that the members can think about it in order to discuss it next time and thanks the members for their participation and closes the training.

Topic 2: LEADERSHIP AND ELECTIONS

Step 1: The FFSF tells the group about the importance of leadership in VSLA and tells them that the leadership 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 participants decided to form a village savings and loan Association. 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 FFSF 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 FFSF 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-members. Later, the participants 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 FFSF points out that each position calls for different qualities and asks the members to discuss the qualities and responsibilities of each committee member ought to be. The FFSF 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 members.
- Promote unity, cooperation, love respect, discipline and hard work among members.
- Empower members 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 services to members.
- Maintain excellent relationship with other VSLAs, development agencies and the Local Governments.
- Support members in setting their savings goal and plans and ensure that, they realize their vision (dreams).
- Ensure safety of the finances and resources by promoting transparency within the VSLA.
- Effectively resolve conflicts within the VSLA.
- Technically guide the General Assembly during the process of loan approval and membership recruitment.
- Spearhead the process of recovering loans from members (defaulters) before the due date for action audit.
 - Link the VSLA to access development program.
 - Monitoring members to ensure loans are properly used and their savings are used for asset accumulation (cash and property) and economic livelihood security improvement.
 - Check the hygiene and sanitation standards of the households of VSLA members.
 - Ensure pregnant mothers in the institution access antenatal services as required.
 - Ensure all school going children from members' homes are in school.
 - Ensure all children from members' homes are immunized against the killer diseases.
 - Ensure all members access adequate VCT services and the HIV positive access ARV and live positively.
 - Ensure members access adequate market, price and business information.
 - Organize training of members 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: FFSF 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 and by-law is followed and respected • To represent the Association to outsiders and non- members 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 and 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 concerning Social Fund, savings and lending 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 members. • 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 (welfare 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 FFSF discusses with the members the election procedures and ensures that, they agree on the following issues:

1. Elections shall be held at the beginning of every new cycle.
2. Officers shall serve for two terms (cycles) on the Management Committee.
3. 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.
4. The Quorum for elections shall be two thirds (2/3) of the members.
5. At least two (2) people must be nominated to contest in every position on the Management Committee.
6. 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.
 - xiii. Volunteer
7. A candidate shall be nominated by one (1) member and seconded by two (2) members attending the General Assembly to contest in any position on the Management Committee.
 8. Members absent for whatever reason shall NOT be nominated to contest in any election.
 9. Before a member can be allowed to contest, his/her consent to serve on the Management
 10. Committee shall be sought by the General Assembly.
 11. Voting shall be by secret ballot.
 12. Every member present in person shall have one vote and one poll.
 13. In the event that, two (2) candidates get equal votes, there shall be a re-run for the two (2)
 14. candidates with same number of votes.
 15. 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.
 16. Step 5: The FFSF then advises the members to think of the right persons for the positions discussed and announces that, the election of the Management Committee members will be conducted in the next training.

TOPIC 3: DEVELOPMENT OF CONSTITUTION AND BY-LAW

Step 1: The FFSF reminds the members that they are supposed to hold their election of the management committee members in the training. S/he will ask them to list the positions discussed in the previous meeting and then tells the members that they need to nominate people for each position, starting with the chairperson. S/he should explain 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 members. In a mixed VSLA, the FFSF should remind the members that at least two of the members of the management committee should be female – and not only the money counters!

Step 2: The FFSF facilitates the development of names for election to each office and advises them to carry out the election using a secret ballot. The members are told that each candidate is represented by one color box. Each person is given a small stone and, in turn, goes to the boxes and, hidden from the members but under the eye of the Parish Chief or an elder, a religious leader or any respected person in the community who acts as the presiding officer, then deposits a small stone in the box of his/her choice. When all of the members have voted the presiding officer confirms that the number of stones is equal to the number of members and declares one person the winner. When the number of votes for each candidate is the same, the members are encouraged to discuss the qualities needed in a candidate some more and vote again until a result is declared.

Conclusion: The FFSF concludes 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, members may feel that they are being dominated by a few leaders who do not have to explain things to the members. By having regular elections the management committee members are reminded that they need to serve the members if they want to keep their positions. Everyone is reminded by this that the General Assembly is the supreme body of the VSLA.

Step 3: The process of developing the constitution and by-laws:

The FFSF announces the objective of the session, telling them that the goal is to understand the importance of having constitution and by-law to guide them in running the group's operations including the VSLA. Members must understand that they create the constitution 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 members that there is a record that can be referred to in times of crisis or dispute.

The constitution and 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 members 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 welfare fund, agro input funds, savings and loans and how the association shares out its assets at the end of the operating cycle.

Step 2: The FFSF 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 (welfare fund, savings and lending) are implemented.

The FFSF then tells the following stories and tries to draw the reaction of the members. 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 members 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 members 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 members 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 members 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 FFSF tells this story at this point to illustrate the dangers of not having a lockable cash box.

The members 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 total 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: FFSF asks the members to suggest the sorts of things needed in their constitution and by-law. List them on a flip chart and make sure that following are listed.

- Basic information on the Association?
- What the vision and purpose of the Association will be?
- Organs to the Association
- Meetings
- Finance and assets
- Official language and seal
- The bank accounts
- Budget
- Audit
- Books and records
- What services it will offer its members
- 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 members leave the association
- What happens in the case of death of a member?
- What will constitute offenses for which members can be punished?
- What sort of penalties can the management committee impose for what offence?
- How will members save and borrow?
- How will a welfare fund be established and run?
- How will the agro – input be stored and run?

Step 4: The FFSF explains that, the written framework that covers the topics listed and that the next step will involve going through the list, with the FFSF asking the membership to discuss each point and reach a consensus. (s)he reminds them that the constitution and 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).



THE REPUBLIC OF UGANDA

THE CONSTITUTION AND BY-LAW OF

Registered this _____ day of _____ 2017

Drawn by: Members PREAMBLE

_____ was formed in 20-- with _____ members.

The vision of the group is _____

The mission statement is _____

INTERPRETATION:

In this Constitution and by-law:-

“The Group” means _____- beneficiaries group

“The Constitution and by-law” 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 is hereby established an Association to be called _____

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

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

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

ARTICLE 2: AIMS AND OBJECTIVES

1.1 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.

1.2 The objectives to achieve in this aim shall be:

1.1.1 To register 25 interested beneficiaries who have satisfied the requirements set in this constitution and by-law

1.1.2 To initiate self help and income generating activities for the group to improve on their livelihoods.

1.1.3 To increase productivity of both cash crops and food crops and improve on health and education.

1.1.4 To equip members with knowledge, skills and positive attitude to achieve the aspirations articulated in Article 2

1.1.5 To liaise with Government and Non-Governmental organization to strengthen the beneficiaries group

1.1.6 To purchase, acquire and own beneficiaries group assets/ property.

1.1.7 To cultivate facilities for social and cultural affinity with non members where necessary.

ARTICLE 3: MEMBERSHIP

3.0 The membership of the group shall be open to:

3.1 Any person who subscribes to and accepts the aims, objectives of the MIGRATION Project

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

3.3 Age limit between the age of _____ years.

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

3.5 65 % of the membership should be female beneficiaries 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 Make any other contribution in kind or cash as shall be proposed and agreed upon by the general meeting.

ARTICLE 5: REGISTER OF MEMBERS

There shall be a register of members, 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 FULL MEMBER

A full member shall:

6.1 Have the right to attend meetings and fully participate in the activities and proceedings of the project.

6.2 Have a right to vote and be voted into any organ of the beneficiaries group

6.3 Have the right of expression on the group activities without undue influence from the members of the group

6.4 Have access to facilities provided by the group where necessary

6.5 Have a right to appeal if he/she feels unjustifiably treated by the group

6.6 Have the right to benefit from the group projects and dividend without discrimination

6.7 Have the right to monitor group activities

ARTICLE 7: OBLIGATIONS AND DUTIES OF A FULL MEMBER

A full member shall:-

7.1. Adhere to this constitution and by-law

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-members

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 by-law 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 and by-law

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 members

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.

8.11A 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 members 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.

8.13A 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 members 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 program, 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 members.

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 members.

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 members.

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 VSLA management committee

11.1.4 The Ad-hoc Committees appointed by the general assembly as the needs arise

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 members of the Association.

11.2.4 The Annual General meeting of the group shall have an agenda which should have been circulated to members not less than fourteen days prior to the meeting.

11.2.5 The Agenda circulated to members 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 members to preside.

11.2.7 The Annual General meeting shall elect Five (5) Executive Committee members 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 by-law 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) members 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 members 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 and by-law.

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 members 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 members 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 and by-law, 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 members of the committee.

13.3 Only fully paid up members of the group shall be eligible to vote and be voted

13.4 Nomination shall be proposed and seconded by at least a person (fully paid up members).

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 members.

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 $\frac{1}{3}$ of the fully paid up members of the group summon an Extra-Ordinary General meeting within 7 for purposes of discussing urgent matters relating to the affairs of the group.

14.5 Members 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 members 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 ($\frac{2}{3}$) of the fully paid up members 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 these present and voting.

ARTICLE 15: NOTICES

15.1 At least 7 Days shall be given to members 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.

15.5 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 members present shall constitute a Quorum.

ARTICLE 16: QUORUM

16.1 Two third $\frac{2}{3}$ of the members of the group (fully paid) shall form a Quorum.

16.2 The Quorum at the meeting of Executive Committee shall be a simple majority.

ARTICLE 17: GUIDE TO THE EXECUTIVE COMMITTEE

1.71 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 members

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 shall audit all funds received from AFARD or generated through AFARD-funded activities

21.2 The group will allow other auditors sent to them by AFARD 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 visitors' book

22.2.2 The register of members

22.2.3 Minutes Books

22.2.4 Books of Accounts.

22.2.5 VSLA ledger books

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 meeting

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.

22.5.7 The Books of accounts shall be open to inspection by members 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 Any of the following officials of the group shall have authority to witness and or authenticate the official seal.

23.5 The chairperson

23.6 The Vice Chairperson

23.7 The 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 and by-law, 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 committee shall where necessary be laid before the General meeting for approval but without prejudice to their application in the interim period.

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 members

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: Group 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 _____ members 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 _____ members 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 members 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. SAVINGS

- Members may buy 1 – 5 shares in each meeting
- Each member shall be required to make a minimum saving deposit of _____ UGX at each saving meeting.
- All members shall be allowed to save at most up to _____ times the agreed savings amount which will be
- Each member shall be required to leave a minimum saving deposit of _____ UGX at share out to enable availability of funds at start-up of the next cycle.
- The following shall be done when a member cannot meet the minimum saving deposit:

II. LOAN

- The agreed purpose for members 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

III. SOCIAL FUND

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

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

Categories where welfare funds can be given out as grants:

Categories where welfare funds can be reimbursed:

The welfare fund shall be stored by:

IV. AGROINPUT FUND

Each member shall contribute _____UGX towards agro-input fund per week

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.

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)	

XII. AMENDMENTS TO THE CONSTITUTION AND BY-LAW

- _____ Members must agree(as a number) before the by-law can be amended
- _____ Can propose an amendment to the constitution and 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 members.
- The Association will on-lend the money to its members, and will not provide information about this to the lender.
- If the Association borrows from a financial institution, members 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 AND BY-LAW

25.1 The Constitution and by-law 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 members of the group.

25.2 At least Fourteen days (14) days' notice in writing, clearly stating the proposed amendment of the constitution and by-law shall be given by the Secretary to all the registered members of the group prior to meeting date.

25.3 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 members of the group.

25.4 A motion to have the constitution and by-law 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

26.1 The group shall only be dissolved by a special resolution of three Quarters majority voters present in the meeting for such decision.

26.2 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 members equally.

26.3 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 members.

26.4 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 members of the group.

26.5 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 members within 21 days.

ARTICLE 28: MISCELLANEOUS

27.1 All matters which are not specifically provided for in this Constitution and by-law shall be dealt with in accordance with the powers vested in the Committee or the general Assembly.

27.2 Any misunderstanding of this constitution and by-law 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.

27.3 Any dispute arising, which the group has failed to resolve under the provision of this constitution and by-law shall be resolved through arbitration in accordance with the Laws of Uganda Governing Arbitration.

27.4 The Committee shall reserve the right to appoint arbitrators depending on the circumstances.

27.5 Apart from the Treasurer, no person shall be permitted to collect funds on behalf of the group except with written or express authority of the Executive Committee.

27.6 No remuneration shall be paid to the executive Committee, but appropriate reimbursement or traveling or night allowance may be paid to a person on official duty outside his/her station at the rate approved by the Executive Committee. A member may be, however, entitled to full or part time paid employment with the group if found appropriate.

27.7 Any thing contrary to the spirit of unity and solidarity of the association shall not be permissible.

Topic 4: CONFLICT RESOLUTION

Step 1: The aim of this topic is to introduce the members 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 FFSF asks the members what conflict is and whether they have conflicts among themselves, often the participants say no. The FFSF 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 FFSF tries to draw out that the members and the committee failed to fulfill their roles and responsibilities.

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

The members 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 FFSF 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 FFSF 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 FFSF 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;
 - » How should you structure a meeting between your group and your opponent?
 - » When should you settle, and when should you fight for more?
 - » 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 FFSF summarize the conflict resolution skills and tells the Association that the next meeting will be goal setting and IGA selection planning and management. The FFSF asks if they have any questions.

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

MODULE 3: RECORD-KEEPING

Objective: at the end of the training session:

- 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



Step 1: The FFSF tells the members 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
- Welfare/Social Fund Ledger
- Savings Ledger
- Fines Ledger
- Loan Ledger
- Inputs ledger
- Cash-Book.

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 FFSF introduce the members to the different types of records kept by the VSLA (register, socialfund ledger, savings ledger, fines ledger, loans’ ledger, inputs ledger and cash book) and the members’ savings pass book (sample must be available).

Figure 1: Typical Record Keeping Book Layout

NAME OF ASSOCIATION		Register

ADDRESS		Social Fund

CHAIRPERSON	_____	Savings
SECRETARY	_____	Fines
TREASURER	_____	Loans
YEAR	_____	Cash
		Association Worth
		Notes

Note: the Register has 12 columns on each page and 29 rows for clients. One header row and one totals row are shown, leaving

3 blank rows below. Only 29 rows are offered because, when the Association reaches 30 members it is too large and should

sub-divide

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
- Savings Ledger 8 pages
- Fines Ledger 2 page
- Loan Ledger 9 pages
- Inputs Ledger 4 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 FFSF 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 FFSF 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 FFSF 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.

Figure 3: The welfare Fund Ledger

No.	Member Names	31/05	31/1/05	28/05	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 Achieng	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 to the trainer: for purposes of simplicity and easy record keeping, the welfare fund ledger can be redesigned as seen below.

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

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

No.	Member Names	28/3/05	25/4/05
1	George Akech	200	200
2	Zablon Odoyo	200	200
3	Aloyce Abuyah	200	400
4	Zibia Akeyo	200	200
5	Benta Awuma	200	200
6	Pamela Otieno		
7	Helen Omolo	200	200
8	Angeline Omolo	200	200
9	Consolata Adhiambo	200	400
10	Consolata Ariyo	200	200
11	Monica Auma	200	200
12	Irene Achieng	200	200
13	Consolata Ajwang	200	200
14	Pamela Odoyo	200	200
15	Mary Atieno	200	200
	Total	2,800	3,200

Amount borrowed	300	500
Amount paid	-	300
Cash balance	2500	5,500

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 welfare fund and not in the box to allow Association members to borrow on any day meeting because an emergency can strike any time. When collecting data at the end of the month, the FFSF should capture the figure in the cash balance row on item 21 (cash in other funds on FFSF data collection form).

Welfare Fund Treasurer's Record:

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

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

Step 5: The FFSF illustrates to the Secretary and the Management Committee using Figures 4 how the agro--input record book is prepared or kept. Explain all the rulings. He tells them the entries are just the same as for the social welfare fund and a member is able to make up for the previous days missed.

Figure 4: The Agro – input ledger

No	NAME	SEX	1/ Oct/2016	8/ Oct/2016	15/ Oct/2016
1					
2					
3					
4					
5					
	TOTAL				
	CUM TOTAL				
	EXPENSES				
	BALANCE				

Step 7: Share Pass Books. At this point the FFSF hands out blank Member Saving 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 Ledgers are often full of mistakes, Share Pass Books are usually accurate. The cover of a typical Share Pass Book is shown below in Figure 4.

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

Figure 5: 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

By using a stamped Share Pass Book it is much easier to facilitate the share-out at the end of the cycle², 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.

Note also that for two meetings this member (Monica Auma) was unable to make any contribution. This is quite normal, especially during the dry season, usually before harvest, when there may be very little trading activity.

Step 8: In much the same way that the member Savings passbook is used to record the total number of savings, the back of the passbook is used to record loan information. It is unnecessary to record all of the things that might happen to a loan in a member's passbook, when 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 borrowed	Monthly interest	Signature	Amount repaid	Balance	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.

Date	What happened	Cash-in	Cash-out	Balance

Figure 12: Askari’s Record Book; in this book, the askari records all the offences that attract fines in regards to the constitution

Date	Offence	Fine	Comment

Conclusion

The FFSF then tells the Association that the next meeting will be the first opportunity that the membership will have to save and to borrow actual cash and that everyone should prepare themselves for the meeting with their savings contributions and welfare fund contributions.

MODULE 4: MEETING PROCEDURES & FIRST SAVING MEETING:

The FFSF does a recap on the previous session and reminds the members 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 FFSF then explains that from now on (s)he is only there to support the management committee, which is now in charge of meetings.

The kit and the key-holders:

The VSLA is told the safety of the kit will be the responsibility of the treasurer and that (s)he must carry it to every meeting of the VSLA.

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

They must not be members of the Management Committee

They should not be members of the same family

They should be members who can be relied upon to attend and will always be on time.

Table 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 members' recollection and the amount written in the weekly records.
Welfare Fund	<ul style="list-style-type: none"> • The Chairperson then announces that contributions will be made to the Welfare Fund. • The Secretary asks the General Assembly if they remember how much money remained in the Welfare Fund at the end of the last meeting. As with the savings balances, this is confirmed by the General Assembly and by the Secretary through reference to the Welfare Fund Records. The Welfare Fund cash is normally kept in a separate bag from all of the other cash in the cash box. 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 contribution to the Money Counters. The Money Counters confirm the amount and place it in a bowl that is specifically designated for the Welfare Fund. • Once all the members have made their contributions, the Money Counters count the total and announce it. • Anyone needing support from the Welfare Fund is invited by the Chairperson to make his/her case to the General Assembly • If approved, the money is provided according to the conditions laid out in the Association's Constitution and by-law and handed over to the recipient. • After all benefits have been paid, the total amount remaining in the Welfare 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.

Table 16: Loan Procedures

Step	Saving/Savings Meeting Procedures
Agro – input fund	<ul style="list-style-type: none"> Once the Welfare 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.
Savings	<ul style="list-style-type: none"> Once the Welfare 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	<p>Once the Welfare Fund, agro-input 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</p> <div style="border: 2px solid red; padding: 10px; margin-top: 10px;">  <p>Note: When the Chairperson levies fines, the infringements, and the amount charged, must be those listed in the Constitution. The Chairperson has <u>no</u> discretion to charge more or less.</p> <p>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>

Step 2: Savings and 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 members' pass book • The amount of money that the borrower is able to pay is then deducted from what he/ she owes (including accrued interest) and the net sum remaining (principal owing plus interest owing, minus amount paid) is noted in the 'loan' column for the previous month. • Once all the loans outstanding have been repaid (either in full or in part) the Money • Counters count the money in the reimbursement bowl and announce it.
Loan disbursement	<ul style="list-style-type: none"> • Once the loan repayments have been made, the chairperson calls on the Money Counters to count up any fines that may have been levied up to that time and put in the fines bowl, which has been placed on the floor at the start of the meeting. These are counted and the total announced. • The money Counters then combine the cash in the cash box with money in the saving/Savings contributions bowl, Loan Repayments bowl and Fines bowl. They do not include the money in the Welfare Fund. This has already been placed in its separate bag 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 members then put forward their loan requests. No loan is given out until everyone who wants one has said so. They must also say for what purpose and in what amount and for how long they want it, and members of the General Assembly are asked to comment • The Secretary compares the total of loans requested with the total amount in the cash box. 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 members if, for example, a member needs money for a seasonal activity, while others only need it for an activity that is not affected by seasonal considerations. Once it is decided how much each applicant will receive, the Secretary announces the name of the borrower and the amount to be borrowed. The Money Counters count out the amount of the loan and hand it to the borrower. The borrower counts the money and then signs the loan agreement in passbook. • Once the loans have all been given out the Secretary calculates the total amount loaned and announces it to the General Assembly.
Weekly record	<ul style="list-style-type: none"> • The weekly record is a summary of the daily transactions / VSLA activities. • It has the balance cash in welfare and balance cash in box
Closing	<ul style="list-style-type: none"> • The Chairperson then calls on the Association members 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.

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 FFSF says then facilitates the association into their first savings meeting at which all of the welfare fund, agro input fund, savings and lending transactions will be carried out by the membership.

Summary and conclusion

The FFSF 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 FFSF guides the chairperson to thank the members and reminds them of their next saving meeting day and time and the meeting is closed.

MODULE 5: ACTION AUDIT, SHARE OUT & GRADUATION

Conducting Action Audit

Step 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.

Step 2: One week towards the end of cycle .i.e. when the Association has completed the entire welfare fund, savings, loan recovery and fines procedures the chairperson calls on the money counters to count the total amount of money in front of the members.

Step 3: The secretary then announces that this money will be saved out amongst the members in the next meeting. (s)he first of all discusses with the members how much.

Step 4: If any member owes the Association money (from loan arrears), the savings equal in value to his/her debts are cancelled in his Saving Pass Book and from the Savings ledger. In this way the defaulting member is penalized, because the cancellation of the savings means that he/she will not receive the profit on those savings, but only the savings remaining.

Figure 6: Cancelled Savings

Single Share Value _Shillings 500

Cycle Number 1

Date	Shares Bought per Meeting				
2/5/09	?				
9/5/09	?	?			
16/5/09	?	?	?		
23/5/09	?	?	?		
30/5/09	?	?			
6/6/09	?				
13/6/09	?	?			
20/6/09	?	?			
27/6/09					
4/7/09					
11/7/09	?	?			
18/7/09	?	?			

Starting number of shares	0
Total number of shares bought this period	20
Total number of shares redeemed during period	20
Net shares end period (to be carried forward)	0

Figure 6, above shows that savings have been physically cancelled with a pen and, also, that in the box below the 20 savings bought during this cycle, 20 have been redeemed (cashed in). This member (Monica Auma) will thus receive $600 \times 20 = 12,000$

Step 5: The secretary then takes each of the member's passbooks and counts the total number of savings that have been bought. Using the calculator in the kit, (s)he then divides this number into the total amount of money on the table and announces the result as the current value of a single value.

Formula

$$\frac{\text{Total money to be shared}}{\text{Total stamps in all members pass books}}$$

For example

Total money to be share	Total stamps/shares	Value of 1 share
210,000	350	600

Step 6: she then gets the new stamp value and multiplies it by the total of stamps in each individual's passbook to get the actual amount to be taken by that particular individual member.

For example: if Kakenga Moses had 50 stamps in her passbook, to get her actual amount to be shared the secretary does the following ($600 \times 50 \text{ stamps} = 30,000$)

She then takes each individual passbook and announces the number of savings that a person owns. She then multiplies this number by the value of a single saving (again using the calculator) and announces the amount to the General Assembly.

Step 7: Table is drawn showing individuals savings and amount to be shared as below:

Member's No	Member's Name	Amount saved	Total number of stamps	New stamp value	Amount shared
1	ODEKE CHARLES	15,000	30	600	18,000
2	KAKENGA MOSES	5000	10	600	6,000
3	MUGISA GIDEON	25,000	50	600	30,000
4	BWAMBAL	10,000	20	600	12,000
5	TUGUME VINCENT	5000	10	600	6,000
19	TOTAL	175,000	35		210,000

Note: The total amount shared in column should not exceed the each cash in the box. It can be = or less than the cash but not more, i.e. it should be = to 210,000 or less but not > than 210,000.

Therefore, amount with fractions/decimals should be rounded off downwards e.g. one cannot receive 12009.7 should be rounded to 12,000 and not 12,100.

Step 8: The member then comes forward and receives the money. 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.

Step 9: once the savings out/Action Audit is completed, the money counters announce of money left in the cash box. This is comprised of what the members have decided to leave in for the next cycle and also any money left in the welfare fund.

Step 10: The FFSF then guides the secretary to fill in the share out table in the record keeping book. This is done such that a record is kept for members to refer to history of their share out cycles and for monitoring and evaluation purposes

Step 11: The FFSF officially announces that the Association has graduated from the implementing organizations support and is now fully independent. (s)he tells the members 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 FFSF hands over a certificate of independence and accomplishment.

Step 12 . The Association may decide to hold a party to celebrate their accomplishment and this is to be encouraged. The FFSF participates and should make a contribution towards the cost.

Conclusion

Before leaving the participants, the FFSF can give some advice:

- Promote exchange and dialogue among the members of this Association and others
- 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 members, but who want to create VSLA.
- Continue savings and loan activities with the VSLA system.



