

Village Savings and Loan Federations (VSLFs)



Field Officer's VSLF Training Guide

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Developed by VSL Associates Ltd.
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Preface

The purpose of this manual

Village Savings and Loan Federations (VSLFs) were first created about 10 years ago in Tanzania, by CARE and later by Plan International. They were originally called IMAs (Input Marketing Associations), but they proved to be most effective as financial intermediaries, able to mobilise additional capital (from member IMAs), which was then lent to other IMAs that were short of loan capital at critical times in their respective annual cycles. This was to avoid relying on banks or MFIs (Micro Finance Institutions). They offered a self-managed local alternative that is sustainable and keeps capital and profits in the hands of their members. The same model has proven effective when implemented by Oxfam Nigeria, where they are seen as a key part of an INGO exit strategy.

Comprised of 5 - 10 VSLAs, a VSLF will have a total membership of as few as 50 and as many as 250 people, which is a scale at which large community-managed institutions seem able to thrive, when focused on a single purpose.¹

Participating VSLAs contribute to a VSLF-managed Loan Fund from which they can borrow at lower service charge rates than VSLAs charge internally. This adds to VSLA Loan Funds and meets seasonal upswings in demand for additional capital. This role has proven to be very popular

Over the years, VSLFs have gone beyond the simple intermediation of capital, to encompass other forms of technical and social support to their members, but their primary function remains financial intermediation².

This manual is designed to provide organisations a detailed guide to setting up, supervising, and graduating independent VSLFs as financial intermediaries over a period not exceeding two years, after which they are expected to operate independently. It does not cover other activities that VSLFs might pursue in addition to financial intermediation.

What is new

This manual is derived from the standard VSL Associates VSLA Federation manual to be found in www.vsla.net. It is adapted to the Nigerian context, using Naira as the currency. It is also different in that service charges for loans are calculated on a %-per-loan basis, for the entire periods of either 3 or 6-month loans, rather than by month. It also includes revised formats for loan application and for savings withdrawal.

Hugh Allen

Abuja, Nigeria and Solingen, Germany, April 2022

¹ In Ethiopia, Iddirs have been around since the early 20th Century and are mainly focused on savings for the purpose of burial. Almost all adults in the country belong to Iddirs, which comprise between 50 and 200 members.

² Financial intermediation refers to the activity in which an institution mobilises savings and then uses these savings to lend to borrowers. It is a way in which capital can be made to work more efficiently because it is collected from where it is in surplus (as savings) and invested where it can be used productively (as loans).

List of acronyms

AGM.....	Annual General Meeting
CARE	Cooperative for Assistance and Relief Everywhere
CBO	Community-based Organisation
FO	Field Officer
IMA.....	Input Marketing Association
MC	Management Committee
MFI.....	Microfinance Institution
NGN	Nigerian Naira
VSL	Village Savings and Loan
VSLA.....	Village Savings and Loan Association
VSLF	Village Savings and Loan Federation

Introduction for the Field Officer

Congratulations on being selected as a Field Officer (FO) to train and support Village Savings and Loan Federations (VSLFs).

The FO starts by creating VSLAs and then seeks to cluster them into VSLFs. The first VSLFs created in a community will set an example and it is important that they should be successful and operate in the correct way.

Creating a VSLF is a more complex challenge than creating VSLAs because it is necessary to be working where there are many well-established VSLAs that have been operating independently after the end of their first cycle Share-out. If these VSLAs are to become the members of a VSLF, they need to be very high standard VSLAs, demonstrating:

- high levels of group solidarity and VSLA participation
- management committees in which roles are clear and performed effectively
- consistent, clear, and logical procedures
- record keeping systems that are accurate and well-maintained
- a demonstrable need for additional capital, a desire to safeguard excess liquidity or a desire to build a more diverse financial buffer against hard times.

This is not as simple as it sounds, because, while VSLAs are easy to create and members quickly become expert managers, a VSLF, as an apex (second-level institution), is a semi-external organisation in which transactions that affect the VSLAs are carried out every four weeks by Representatives of the VSLAs and not under the eye of all the members. This is made possible by modelling the transactions of a VSLF on those of a VSLA, so that everyone who represents a VSLA at a VSLF meeting is immediately familiar with the way in which meetings are conducted and can carry back reports to their own VSLAs that everyone will understand.

Because a VSLF is an organisation that only has part of the VSLA membership present at its meetings (2 Representatives), it is essential for the FO to ensure that procedures are fully understood and rigorously implemented, with clear lines of accountability. It is also important that the members present, who represent individual VSLAs, are clear about their roles, not just as meeting participants, but as effective reporters from their VSLAs to the Federation, and from the Federation to their VSLAs. Maintaining communication is a key part of their role.

1 What are VSLFs?

A Village Savings and Loan Federation (VSLF) is a second level (apex) institution composed of between 5 - 10 Village Savings and Loan Associations (VSLAs). Participating VSLAs save to a VSLF Loan Fund, from which individual VSLAs can borrow in order to increase the capital invested in their internal Loan Funds. It also offers insurance against loan losses.

VSLFs are member managed. Field Officers train VSLFs and member VSLAs, but never directly manage the Federation, write in the record-books, touch money belonging to the Federation or request any form of financial or material support.

Member VSLAs must be established in a limited geographical area. The principal condition for inclusion is that most of the members that constitute the Federation membership are known to each other, to ensure mutual accountability and to build confidence in the Federation. The geographical scale may vary, according to population density and social networks.

VSLFs should be registered, as simply as possible, in order to be able to open a bank account on behalf of their members, according to local requirements

VSLFs meet every four weeks.

Each VSLA elects 2 Representatives to the Federation. These attend all Federation meetings, and both can vote in the Federation, on behalf of their VSLA.

A Management Committee manages a VSLF. The Committee is elected by the Representatives of the VSLAs to the Federation and manages its savings and loan activities. The 5-person Federation Management Committee (MC) should be made up of Representatives of different VSLAs and no VSLA can have more than one on the VSLF MC

VSLFs develop a Constitution. This describes its system of governance and its Insurance/Expenses Fund share-purchase and loan policies. Each member VSLA has one vote in electing the Committee and developing the Constitution.

Unlike a VSLA, a VSLF does not have an annual cycle, after which all its capital is returned to its members. A VSLF cannot provide VSLAs with supplementary loan support if it, too, regularly shares out all of its capital, so it needs to build an independent financial base over time. To do so, it must remain in operation indefinitely, but with regular annual meetings, at which financial reports are made available to all members and profit-sharing is conducted, paid in the form of dividends.

Member VSLAs save through the purchase of between 1 – 5 shares at every meeting. The share-value is decided by the VSLF. The contribution to the VSLF is made from each VSLA's Loan Fund, and carried by each Representative to the Federation meeting. The value of the share is a minimum contribution, determined by the General Assembly of the VSLF and is likely to be much larger than the minimum contributions in a VSLA.

The minimum contribution (share value) is the same for all member VSLAs. It must be agreed upon during the second training module (Development of VSLF Insurance/Expenses Fund share-purchase and loan policies, see p. 24). The share value can only change by agreement at the AGM and, if the share value is changed, all old shares must be re-registered in the new amount.

All VSLFs have an Insurance/Expenses Fund in addition to a Loan Fund. This is to cover loan losses within individual VSLAs, and future training expenses

The Insurance/Expenses Fund contribution must be paid at every meeting. The Insurance/Expenses Fund contribution of each individual member of each VSLA is set at the AGM.

The Loan Fund is comprised of money contributed in the form of shares and loan profits (from service charges).

All member VSLAs have the right to borrow up to a maximum of 3 times the value of their shares. In addition, the loan cannot be more than 50% of the value of the applicant VSLAs last Distribution.

Loans taken from a VSLF by a VSLA must be repaid over 3 months or 6 months as the borrowing VSLA requests. The VSLA borrower is free to pay in whatever amounts it wishes at each loan meeting, but must repay the total sum owing within the agreed-upon period.

VSLF loans can be repaid (in full or in part) in any VSLF meeting, once every 4 weeks.

The monthly service charge for loans is determined by discussion among all the members of the VSLF. The service charge rate is expressed in the form of a percentage value for the entire length of the loan. It cannot be changed between AGMs and is charged on a flat percentage basis at the time of the loan being issued.

All VSLF transactions are performed at meetings in front of all the members. To ensure that transactions do not take place outside VSLF meetings, cash and summary records are locked in a Cash box, secured with three padlocks. Three members hold the three keys, none of whom is a member of the Management Committee, and each of whom comes from a different VSLA.

All VSLAs have an individual passbook. The passbook is similar to VSLA member passbooks, except for the cover page, on which the name of the VSLA is registered as a member. Stamp-purchases are recorded in the first half of the passbook using a rubber share. Loans are recorded in the back of the passbook.

Summary records remain locked in the box between meetings. This is very important, to prevent tampering with the records of shares purchased by the members, or alteration of loan records. These summary records are necessary, because VSLA passbooks are not kept in the box, but remain with the Representatives of member VSLAs.

At the end of every annual cycle, the VSLF calculates its profits, decides upon a dividend payment to member VSLAs and pays each member VSLA what it is due. Profits are calculated using a simple formula in which savings, the value of physical property and debts are subtracted from total assets. The VSLF then decides on how much of this will be paid to member VSLAs as dividends and how much will be retained for other uses.

The dividend is only paid out at the end of the VSLF's annual cycle and is based on each VSLA's net savings at the end of the annual VSLF cycle.

VSLAs that invest in a VSLF may withdraw up to 75% of their savings at any time, by selling a portion of their shares (at the same price they paid for them). Once sold, these shares cannot be replaced at a future meeting, if that goes beyond the 5-share per meeting limit. Requests for withdrawal of savings are made at least one month in advance of their being paid- A VSLA can only withdraw 100% of its savings if it decides to leave the VSLF, which it may do for any reason at any time.

VSLFs are trained by Field Officers whose role is to:

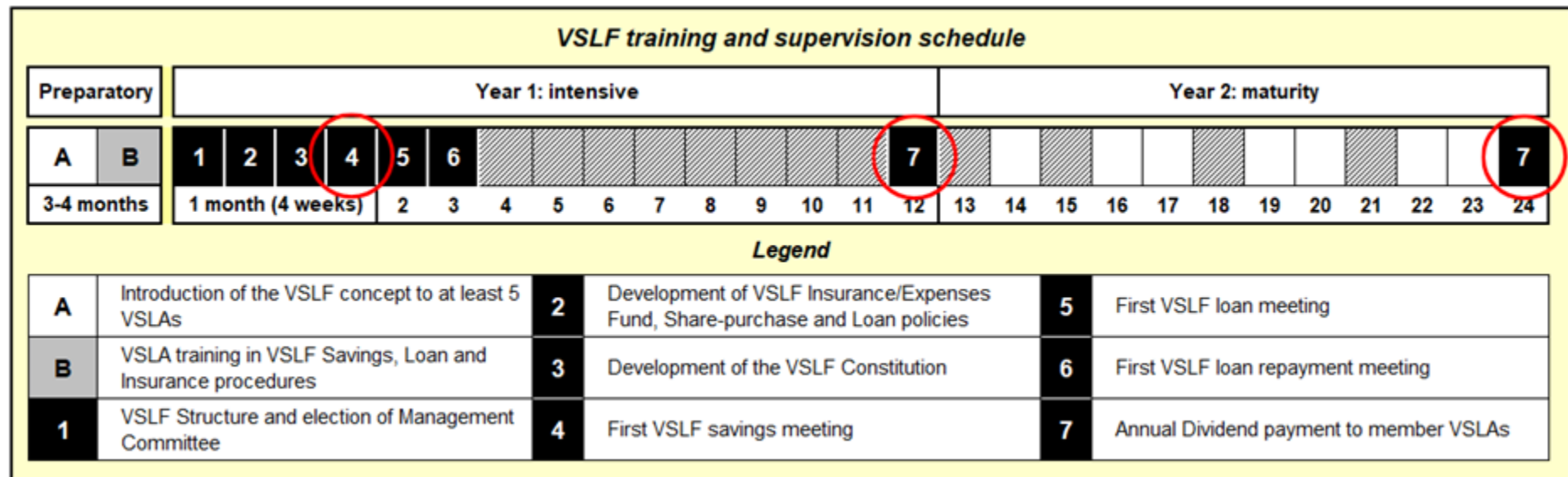
- recruit high-quality VSLAs that have completed a full operating cycle, and are operating independently, and prepare them in the procedures necessary to become VSLF members.
- facilitate the creation of a VSLF by ensuring that:
 - its goals are clear, and its plans are regularly reviewed and updated.
 - it is properly constituted, with representative leadership.
 - it can conduct fully transparent standardised savings, loan, and insurance transactions.
 - it can record all financial transactions.
 - it pays all benefits due to the member VSLAs at an AGM.
- ensure that VSLFs are fully independent within a two-year period.

2 Schedule of operations

VSLFs are trained and supervised by FOs over a period of 2 years according to the schedule below.

- Preparatory phase:** This provides general information to prospective VSLAs and trains them in procedures related to VSLF participation.
- Year 1:** 12 months. It starts off with 4 training visits in the first month until savings start, and then reverts to monthly meetings. The FO is present at all meetings. In months 2 and 3 there are additional training meetings
- Year 2:** 12 months. This is preceded by an evaluation of VSLF quality by the FO's Supervisor to see if it is ready to operate independently. In the second year the FO visits less frequently, usually every three months.

Figure 1: VSLF training and supervision schedule



The black squares indicate training modules. The grey cells indicate visits in which the FO is supervising activities

Note: The red circles indicate the Supervisor's attendance at the first savings or loan meetings, and also at the end of year 1 and year 2

Note: A VSLF can be declared independent at any time in year 2 that the FO's Supervisor is satisfied that it is fully functioning and not in need of further support.

3 Preparatory meetings with VSLAs that want to participate in a VSLF

Before a VSLA can become a member of a VSLF, it must undertake preparatory training. The Preparatory phase has two purposes:

- To promote membership in a VSLF to a cluster of VSLAs in close geographical proximity.
- To provide a detailed description of how a VSLF works, what VSLAs must do to participate and what the FO promises to do.

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

Table 1: Preparatory Meetings

Type of meeting	<u>Meeting A</u> <i>Introducing the concept of VSLFs to a cluster of VSLAs</i>	<u>Meeting B</u> <i>FO trains groups in additional procedures needed to participate in a VSLF</i>
Content	<ul style="list-style-type: none"> • Description of a VSLF and its principal functions related to savings, credit, and loan insurance • The advantages to VSLAs • What additional costs VSLAs will incur in terms of contributions and time 	<ul style="list-style-type: none"> • Election of 2 VSLA Representatives to the VSLF • Modification of the VSLA's Constitution to reflect VSLF membership • Training in Savings mobilisation for the VSLF • Training in Loan application, repayment, and record-keeping processes • Training in Insurance/Expenses fund activities
Comments	Meetings will take place with VSLAs that are independent until at least 5 VSLAs, and no more than 10, have been contacted and agree to participate. They must be of an approximately similar economic status to participate.	<ul style="list-style-type: none"> • Carried out only with VSLAs that have agreed to participate in a VSLF. • Carried out with VSLAS that are made up of people with approximately similar economic and social backgrounds, since shares will cost the same for all VSLAS

Meeting A: Introducing the idea of VSLFs to a VSLA

Pages 6 and 7 of this manual may be used as a hand-out by the FO at this meeting.

Purpose of the meeting

The FO should keep in mind that the purpose of the meeting is to:

- explain the purpose of a VSLF to VSLAs that may have an interest in joining a member-owned and managed apex organisation.
- explain the advantages and disadvantages of membership in a VSLF.
- list the obligations of the VSLA to the VSLF and of the VSLF to the VSLA.
- outline the changes that will be needed in the VSLA's procedures and systems, so that it can participate in the Federation.
- take a vote on whether or not to join a VSLF.

Who participates?

- The FO.
- A single VSLA. Although there may be public meetings to explain the basic VSLF concept, each VSLA must receive an *individual briefing* from the FO, to ensure that all members agree and have a chance to express their views and concerns.

What is covered in this meeting?

The key topics covered are:

- What is a VSLF?
- Organisational structure
- Advantages and challenges of belonging to a VSLF
- Mutual obligations between a VSLF and its member VSLAs

What is a VSLF and what is its purpose?

- The FO explains that a VSLF is a second level (apex) organisation, made up of between 5 - 10 VSLAs, each one represented by two elected Representatives. No VSLA can join a VSLF until it has been running without the support of the implementing organisation, preferably for at least 3 months
- Its purpose is to act as an institution that can:
 - mobilise VSLA capital in the form of savings contributions, to be invested in a VSLF Loan Fund.
 - offer loans to VSLAs from the Federation Loan Fund, to increase the size of a VSLA's internal Loan Fund.
 - set a service charge for these loans that will be about half that charged by VSLAs to their members (this is done to make sure that the VSLA can make a profit on the money borrowed from the VSLF when it is on-lent to VSLA members).
 - provide individual loan insurance services to VSLAs to cover the risk that an individual member fails to repay a loan to the VSLA, if that member dies, and the family cannot pay,
- Like VSLAs, a VSLF is managed by its member VSLAs (through elected Representatives) and can operate informally, although it can also seek formal recognition as a Community-based Organisation (CBO) if it wants to do so.
- Unlike a VSLA, a VSLF does not Distribute its capital at the end of an annual cycle, but calculates profits and agrees among the members how much of this profit will be kept by the VSLF and how much will be paid as a dividend to the participating VSLAs. After

dividends are paid at the annual end-of-cycle meeting, VSLAs can withdraw up to 75% of their savings, leaving a minimum of 25% as seed capital for the next year.

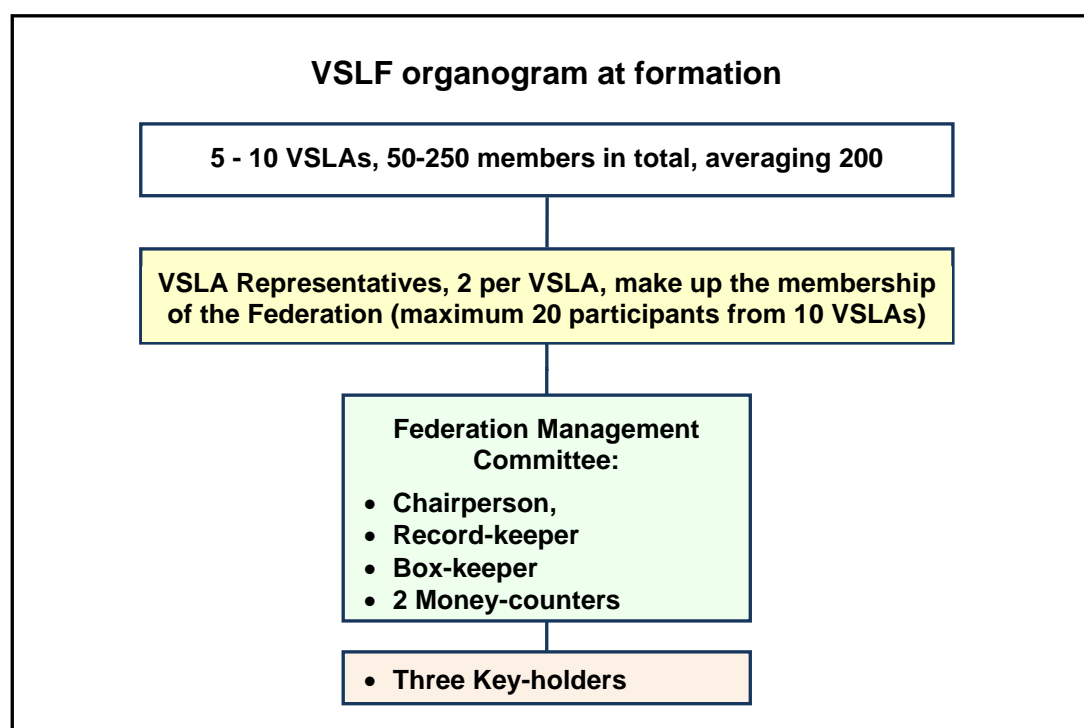
- Member VSLAs can withdraw up to 75% of their savings in the W Federation at any time during the annual cycle, so long as they do not have a loan outstanding, and if they provide notice as specified in the Constitution. If they withdraw some of their savings before the annual dividend is paid, they do not receive any dividend payment on the amount withdrawn.

Organisational structure

The organisational structure of the VSLF is modelled on the organisational structure of a VSLA. The difference is only that members of the VSLF are groups rather than individuals, with each VSLA sending 2 Representatives to the VSLF. But the way in which a VSLF mobilises savings, manages loan disbursement and repayment, and handles insurance is almost the same as in a VSLA.

The organogram below shows this structure.

Figure 2: VSLF organisational structure



Advantages and challenges of VSLF membership

- The advantages of VSLA membership in a Federation are explained as follows:
 - VSLAs can borrow extra loan capital from their VSLF, allowing individual VSLA members to get larger loans, though their VSLAs.
 - Member VSLAs can be more profitable, because they can manage a larger Loan Fund.
 - VSLFs can provide other services, as they develop other needs
- Challenges related to creating and managing a VSLF are:
 - Maintaining transparency, since only a few VSLA members are Representatives.
 - Ensuring that other VSLAs repay their loans.
 - Ensuring that investments made by VSLAs in commercial activities do not lose money.
 - More complex procedures at the VSLA level, since contributions to the Federation (for buying shares) will have to be separately mobilised and kept safe once a month, just before the VSLF meeting. The measures taken to minimise risk are:

- Geographical proximity ensures that the VSLAs will be socially accountable to each other. This may mean that VSLFs may be comprised of larger or smaller numbers of VSLAs, depending on population density
- Each VSLA is vetted by the Field Officer before joining a Federation to be sure that management procedures and financial record-keeping are very high standard.
- Representatives have a reporting role and should be selected carefully. They should be known to be literate and numerate, trustworthy, and reliable and from a family with a good reputation in the community.
- The AGM allows all members to query reports, and the performance of the MC.

Mutual obligations between a VSLF and its VSLAs

- Obligations of the VSLA to the VSLF:
 - Regular, contributions to the Federation Insurance/Expenses Fund, based on the number of members in each VSLA.
 - Regular contributions (in the form of buying at least one Federation share) every four weeks throughout the year.
 - Repayment of the Federation loans by the borrowing VSLA.
 - Full participation of designated Representatives in the activities of the Management Committee and regular attendance at meetings.
 - Participation of all individual VSLA members in the AGM of the VSLF.
- Obligations of the VSLF to the VSLA:
 - The VSLF will treat all VSLA groups as equal members in all decision-making and as recipients of Federation services.
 - The VSLF will conduct annual elections for membership of the MC.
 - The VSLF will convene regular meetings every 4 weeks, which all Representatives of the member VSLAs should attend.
 - The VSLF Management Committee will handle the safe keeping of any money in the Loan Fund and the Insurance/Expenses Fund and for the security of any cash held in a financial institution.
 - The VSLF Management Committee will handle:
 - mobilising savings from member VSLAs.
 - disbursing loans to members VSLAs.
 - ensuring on-time loan reimbursement.
 - managing the activities of the VSLF Insurance/Expenses Fund.
 - Calling an Annual General Meeting (AGM) at which all members of all VSLAs are invited and at which dividends are paid.
 - Once the Management Committee is running a successful Savings and Loan Fund, the Federation may, in the future, engage in other activities that are not directly related to saving and lending.³ For each of these activities it will need to create sub-committees, but only after ensuring that proper technical, financial, and administrative systems are in place to implement the activities successfully. The Federation will only take on new initiatives if demand for the services they offer are clear, and rolled out consecutively.

The FO will then take questions and ask for feedback.

The VSLA will then decide, by consensus, if it wishes to become part of a VSLF.

The FO will note down the decision and inform the VSLA that they will be contacted for a preparatory training for membership, once the FO has mobilised enough VSLAs in the vicinity to form a new VSLF.

³ i.e. grain banking, marketing of agricultural produce, creation of a health insurance fund etc.

Meeting B: VSLA training in added procedures needed to participate in a VSLF

Purpose of the meeting

The purpose of the meeting is to:

- Train individual VSLAs in the internal procedures needed to take part in a VSLF.

Who participates?

- The FO
- Single VSLA

What is covered in this meeting?

The key topics covered are:

- Selection of VSLF Representatives.
- Updating the VSLA's Constitution; VSLF financial products.
- Supplementary meeting procedures related to VSLF membership.

Selection of VSLF Representatives

Qualities and responsibilities

The Field Officer first says that each VSLA will elect two Representatives to the VSLF. (S)he lists the duties of Representatives. These may be summarised as:

- ensuring the safe passage of money between the VSLA and the Federation. This includes:
 - Contributions to the Insurance/Expenses Fund and Loan Fund
 - Loan repayments
 - Loan disbursements
- Making sure that all entries into the Federation passbook are correct and are displayed to all members of the VSLA at its next meeting.
- If elected, being ready to serve on the Federation Management Committee, or other committees as may be created thereafter.

The Field Officer stresses that the VSLF is an institution made up of many VSLAs and it cannot be known, ahead of time, what role the VSLA Representatives may need to play. It will therefore be important to select people that are able to perform as members of the Management Committee, which will definitely need basic literacy, numeracy, and strong social and leadership skills. Table 2 below provides a list of the qualities and potential responsibilities of Representatives.

Table 2: Common qualities and responsibilities of VSLA Representatives to a VSLF

Qualities	Responsibilities
<ul style="list-style-type: none"> • Reliable and with time at his/her disposal to travel to VSLF meetings and undertake tasks that (s)he may be assigned • Displays a genuine awareness of the views of other people and carefully considers all points of view: does not impose his/her own agenda and views • Literate and highly numerate. Used to maintaining or examining VSLA financial records • Respected in the community and as a leader • Experienced as a manager in any field, or has long and successful experience as a VSLA Committee member • A good planner • Diligent • Very honest • A good public speaker 	<ul style="list-style-type: none"> • To serve principally as a member of the VSLF • To elect a Federation Management Committee and to serve on it if elected • To attend all Federation meetings • To carry Insurance/expenses and savings contributions to the Federation meeting • To carry Federation loan funds, savings withdrawals, and annual Share-out funds back to the VSLA • To participate in planning the short and long-term activities of the Federation • To verify that money contributed by the VSLAs is actually contributed, and that the passbook of the VSLA is shown to the VSLA members at their next normal meeting • To ensure that loan requests are carried to the Federation and that money provided by the Federation as a loan to the VSLA is securely carried back to the VSLA • When making a loan application to the Federation, to carry the VSLA's notebook to the meeting to verify the value of the last Distribution • To ensure that money brought back to the VSLA from the Federation is immediately secured in the box and the amount registered in the cash record • To report to their own VSLAs all of the proceedings of the Federation meetings and to report to the Federation any issues that their VSLAs want to raise

Election of two VSLA Representatives to the VSLF

The VSLA will elect two people as Representatives of the VSLA to the VSLF: *The FO says that Representatives must not be drawn exclusively from the Management Committee of the VSLA* and that at least one of the two Representatives must be a non-Committee member of the VSLA. Elections to this position must be held annually and Representatives can only serve a maximum of three consecutive terms.

The FO brings four bags to the group meeting, each in a different colour. (S)he also provides one small stone for each member to be used in voting.

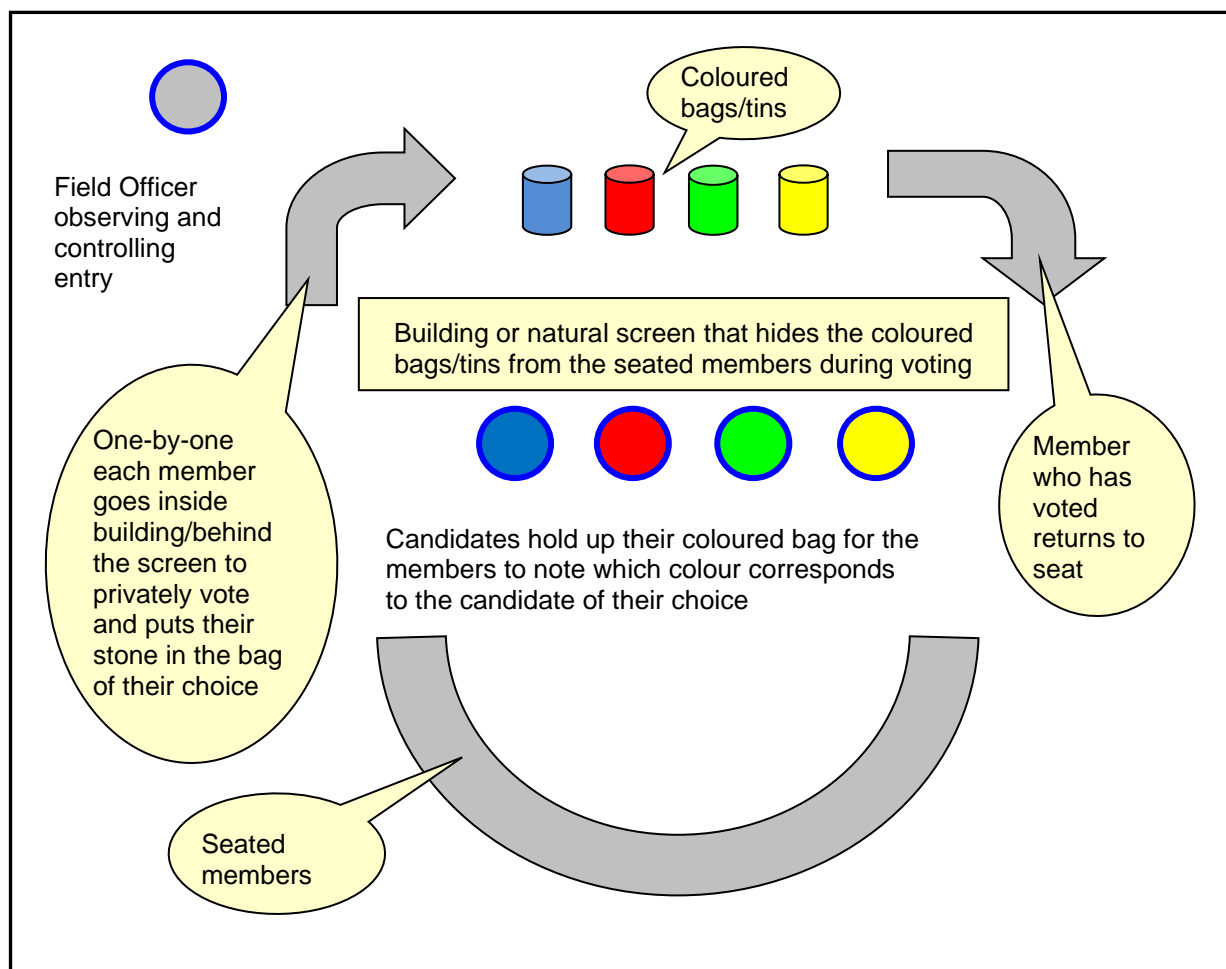
Each of up to four candidates (there must be at least 3 for the two positions) is given a coloured bag which they display to all the members. Members are asked to think about who they want to vote for and memorise the colour of the bag carried by the member of their choice. The coloured bags are placed behind a screen (or inside a building) some distance from the gathering and sheltered from view of members and passers-by. Each member in turn goes behind the screen (or into the building) and, hidden from the members but under the eye of the FO, deposits a token/stone in the coloured bag of his/her choice.

When all the members have voted, the FO counts out the votes in front of the members by removing the stones from each bag. (S)he ensures that no additional stones have been put in the bags – the total should equal the number of members voting.

When the Representatives are elected, the VSLA Record-keeper notes down the election result in the VSLA's notebook. This is signed by the VSLA Chairperson and can be produced in evidence if the authenticity of the Representative is questioned by the VSLF.

Similar procedures are used to elect each of the various VSLF Committees (see Module 1).

Figure 3: Diagram of election procedures



Updating the VSLA's Constitution: VSLF financial products

A VSLA that wants to join a VSLF can take advantage of Federation services, but, while being able to take part in Federation decisions regarding financial products, is bound by those decisions and cannot change them without the agreement of the other Representatives from other VSLAs.

It is necessary to update the VSLA's Constitution to incorporate these changes. Once this is done, all members must sign it.

The framework for the revision to a VSLA Constitution is shown in Annex 1 (p. 40), Part 3 of a VSLA Constitution framework for VSLAs participating in a VSLF

Once the Representatives are selected, the VSLA agrees that the Representatives will be given the VSLA's contribution to the VSLF Loan and Insurance/Expenses funds in the meeting just before to the VSLF meeting.

The items related to VSLF financial products that need to be covered in the Constitution of the VSLA are:

Insurance/Expenses Fund

- A VSLF Insurance/Expenses Fund is different to the VSLA Social Fund and is operated for different purposes. These are:
 - To cover loan losses incurred by VSLAs in the case of members whose loans have had to be written-off owing to death
 - To provide funds for paying trainers who provide non-financial services to the VSLF

Savings

- The value of a VSLF minimum contribution is decided at the first Federation meeting.
- Contributions to the Federation are made every 4 weeks.
- The contribution to the Federation Loan Fund is taken from the balance of the VSLA's Loan Fund at the end of a normal meeting.

Loans

- A VSLA can borrow from a VSLF. It can do so for 3 months or 6 months
- The VSLA can borrow an amount that is no more than 50% of the last cycle's Distribution (as recorded in the VSLA Record-keeper's notebook, presented as evidence at the time of making the loan application). In addition, the loan cannot be more than three times the savings accumulated by the borrowing VSLA in the Federation.
- Any loan from a Federation must be repaid before the end of the VSLA cycle in which it is borrowed.
- Loans provided to the VSLA by the Federation will be added to the internal Loan Fund of the VSLA, for on-lending to individual members.
- All loans taken from the VSLA Loan Fund that has received Federation finance, will be offered to VSLA members under exactly the same terms and conditions as any other loan taken from the VSLA's Loan Fund (i.e. there will be no 'VSLA' loans and 'VSLF' loans).
- The service charge rate for loans given by the Federation to the VSLA must be specified.
- No new loan will be offered to the VSLA until the preceding loan and service charge due have been fully repaid to the Federation.

Supplementary meeting procedures related to VSLF membership

Investments by a VSLA in a VSLF are made only from the Loan Fund and not from the Social Fund.

There are two sums that must be set aside by the VSLA:

- Contributions to the Federation Insurance/Expenses Fund.
- The amount needed to buy an agreed-upon number of Federation shares.

This investment is decided at every 4th meeting of the VSLA, which should be as soon as possible before the VSLF meeting.

The amount to be invested in the VSLF is decided on after the VSLA loan disbursement activities are completed and if there is cash left over that is not borrowed.

It should be noted that the process of physically setting aside money for buying shares in the VSLF is done before counting the final cash balances (which normally happens after loan disbursement.)

Table 3 on the following page lists the procedures that are needed to do this.

Synchronising VSLA meetings and VSLF meetings

VSLAs must arrange one meeting every four weeks to take place as shortly before the VSLF meeting as possible, because the Representatives will be holding cash outside the box until the Federation meeting takes place. The shorter the length of time between the VSLA meeting and the VSLF meeting, the better.

Table 3: VSLA procedures for setting aside money to be invested in the VSLF and to apply for loans, at the VSLA meeting closest to the next VSLF meeting

Meeting step	Supplementary procedures to a normal VSLA meeting
Insurance/Expenses Fund and Stamp-purchase allocations to VSLF	<ul style="list-style-type: none"> • The Chairperson announces that contributions will be made to the VSLF Insurance/Expenses Fund and reminds the members of the fixed amount that has to be contributed at every VSLF meeting • The Chairperson instructs the Money-counters to count this amount from the money-counting bowl and give it to the two Representatives to the Federation • The Representatives count the money and confirm that it is correct • The Chairperson then tells the Money-counters to count the remaining balance in the money-counting bowl • The Money-counters count the balance and announce the amount to the members • The Chairperson then asks the members to decide how much of this money will be used to buy shares at the next meeting of the Federation, reminding them of the price of a single Federation share • When agreement is reached, the Chairperson tells the Money-counters to count this amount, which is given to the two Representatives to the Federation • The Representatives count the money and confirm that it is correct • The Chairperson tells the Money-counters to count the money remaining in the money-counting bowl and announce it to the members • The Record-keeper records this amount in the 'Cash in the Loan Fund' page in the notebook • The Record-keeper says that this is the current value of their Loan Fund • The Money-counters then put the Loan Fund in its draw-string bag and return it to the Cash box
Preparation of loan applications to the VSLF (optional)	<ul style="list-style-type: none"> • If the VSLA does not have a loan from the Federation, the Chairperson facilitates a discussion to see if the VSLA wishes to make an application • The Chairperson reminds the members that there is no need to take a loan from the Federation, if the money they have in their Loan Fund is sufficient to meet their needs • If it is agreed that there is a need for a Federation loan, the Chairperson reminds them that it will be invested in the normal VSLA Loan Fund and must be paid back over a period of 3 months or 6 months and will include a service charge to be paid to the Federation • The Chairperson also reminds members that the VSLA can only borrow up to three times the amount of their savings in the Federation and this cannot be more than 50% of the total value of their last Distribution • The Chairperson then facilitates a discussion among the members to agree on the amount that will be requested as a loan from the Federation and over what period of time (3 months or 6 months) it will be repaid, noting that payments will be possible at any meeting of the Federation • Once the amount is agreed upon, which meets the lending criteria of the Federation, the Record-keeper is instructed to fill out the Federation loan application form (See, Federation Loan Application Form Page. 53) • The application form is then signed by the Chairperson, Record-keeper and Box-keeper, plus two members, and is then given to the Representatives to submit to the Federation at the next Federation meeting • The Representatives are also given the Record-keeper's notebook to present as evidence of the value of the last Distribution at the next Federation meeting

After the steps above, the normal closing procedures of the VSLA are followed.

4 VSLF training modules 1 - 7

Table 4: Diagram of training schedule

Module 1 <i>VSLF structure and election of Management Committee</i>	Module 2 <i>Development of Management Committee product policies and rules</i>	Module 3 <i>Development of VSLF Constitution incorporating Management Committee policies and rules</i>	Module 4 <i>First VSLF savings meeting</i>	Module 5 <i>First VSLF loan meeting</i>	Module 6 <i>First VSLF loan repayment</i>	Module 7 <i>Annual dividend payment to VSLAs</i>
<ul style="list-style-type: none"> • Role of General Assembly • Role of Management Committee • Preparation for elections • Elections 	Policies and rules related to: <ul style="list-style-type: none"> • The Insurance/ Expenses Fund • Stamp-purchase • Credit • Loan repayment 	<ul style="list-style-type: none"> • VSLF governance • Combining Module 2 policies and rules with governance decisions into a single Constitution 	<ul style="list-style-type: none"> • Supervision of first meeting in which VSLAs invest in the VSLF • Contribution to the VSLF Insurance/ Expenses Fund • VSLF share-purchase • Preparation for first loan-taking 	<ul style="list-style-type: none"> • Supervision of first loan taking by member VSLAs from the VSLF • Preparation of VSLAs for first loan repayment 	<ul style="list-style-type: none"> • Supervision of first loan repayments by member VSLAs to the VSLF 	<ul style="list-style-type: none"> • Dividend payment to member VSLAs • Preparation for the next cycle
Month 1				Month 2	Month 3	Month 12

Module 1: VSLF structure and election of Management Committee

Purpose of the meeting

The FO explains that the purpose of the meeting is to give the VSLF a name and to elect leaders to the Management Committee, appointed for a year and eligible for annual re-election, for a maximum period of two consecutive terms. (S)he explains that elections will be organised by the FO for the first two years,⁴ but, after that, the VSLF will run elections itself.

Who takes part?

- The FO, in this and all following training meetings.
- The VSLF, made up of the Representatives elected by each member VSLA.

What is covered in this meeting?

The following are the key topics covered:

- Discussion of the role of the Management Committee.
- Elections to the Management Committee.

Role of the General Assembly and the AGM

The FO explains that the General Assembly of the VSLF is, in effect, all the members of all VSLAs who constitute the current membership. They meet at the Annual General Meeting at which:

- financial reports are presented by the VSLF Record-keeper.
- the Constitution may be amended as considered necessary.
- long-term VSLF strategies and operational plans are developed and approved
- the dividend amount is agreed.
- the establishment of bank accounts can be approved.

Votes held at the AGM are done by a simple show of hands.

Roles of the VSLF Representatives

The FO explains that because a VSLF is an apex of many VSLAs, it is not practical for VSLF meetings to include all members. Each VSLA sends two Representatives to the Federation who are accountable for reporting to their VSLA what took place in the Federation meeting.

No policy decisions, nor alterations to the Constitution can be made by the Management Committee of the VSLF that are not agreed to by a 2/3 majority of the Representatives who form the VSLF.

The FO reminds the Representatives of their responsibilities, as listed on Page 14. These are:

- to elect a VSLF Management Committee and to serve on it if elected.
- to report to their own VSLAs what happened in the VSLF meetings and to report to the Federation any issues that their VSLAs may want to raise
- to bring a fixed Insurance/Expenses Fund contribution to all meetings, based on the number of members in their VSLA.

⁴ This will be affected by the remaining timeline of the project. Since FOs are volunteers, this should be possible post-project, depending on local arrangements

Role of the Management Committee (MC)

The main activity of the VSLF will be savings, lending, and insurance services that the VSLF will offer to its member VSLAs. The proper running of the Federation depends on the MC performing its role and the savings and credit services it offers are likely to remain the most important of all the services it may offer in the future.

The FO explains that the MC has the following functions:

- To call and manage the AGM and ensure that dividends are calculated and paid.
- To facilitate agreement among member VSLAs.
- To provide Insurance/Expenses Fund benefits to VSLAs as needed.
- To receive VSLA savings contributions.
- To disburse loans to VSLAs and manage repayment.

The FO uses the organogram (Figure 2, Page 11) to explain how the relationship between VSLAs and the VSLF works and illustrates the internal structure of the VSLF.

Election of the Management Committee

Elections are held following the same procedures as for a VSLA. Because the Management Committee's functions are almost the same as those of a normal VSLA Committee, it is recommended that Chairpersons and Record-keepers who are nominated for these roles already have experience in performing the same service for their VSLAs. Note that only one member from each VSLA can be elected to the Federation Management Committee

Table 5: Qualities and responsibilities of the Management Committee Chairperson

Qualities	Responsibilities
<ul style="list-style-type: none"> • Respected • Confident and calm when speaking in front of others • Treats everyone equally • Listens to others and asks for opinions • Organised • Always on time 	<ul style="list-style-type: none"> • To call the meetings to order, announce the agenda and lead discussions • To ensure that the meetings follow proper procedure, and that the Constitution is followed and respected • To maintain discipline and charge fines as needed • To facilitate discussions and to ensure that everyone's views are listened to • To resolve conflicts • To represent the Federation to outsiders and non-members, including local government officials

Table 6: Qualities and responsibilities of the Management Committee Record-keeper

Qualities	Responsibilities
<ul style="list-style-type: none"> • Good arithmetic skills • Writes neatly • Has a reputation for trustworthiness • Always on time • Willing to work extra hours to train with the FO if needed 	<ul style="list-style-type: none"> • Ensures that all transactions for the Insurance/Expenses Fund, share-purchase and lending take place according to procedure, and that all rules are followed • Makes all passbook entries for savings and loans • Reads the Insurance/Expenses Fund and Loan Fund cash balances out loud at every meeting

Table 7: Qualities and responsibilities of the Management Committee Box-keeper

Qualities	Responsibilities
<ul style="list-style-type: none"> Trustworthy From a household that has a good reputation (no one in that household should be considered unreliable) Lives in a house with good security Always on time Numerate 	<ul style="list-style-type: none"> Keeps the Federation 3-lock box safe in between meetings Ensures that (s)he is accompanied to/from meetings as necessary Brings the box to the meetings on time May stand in for Record-keeper or help as needed

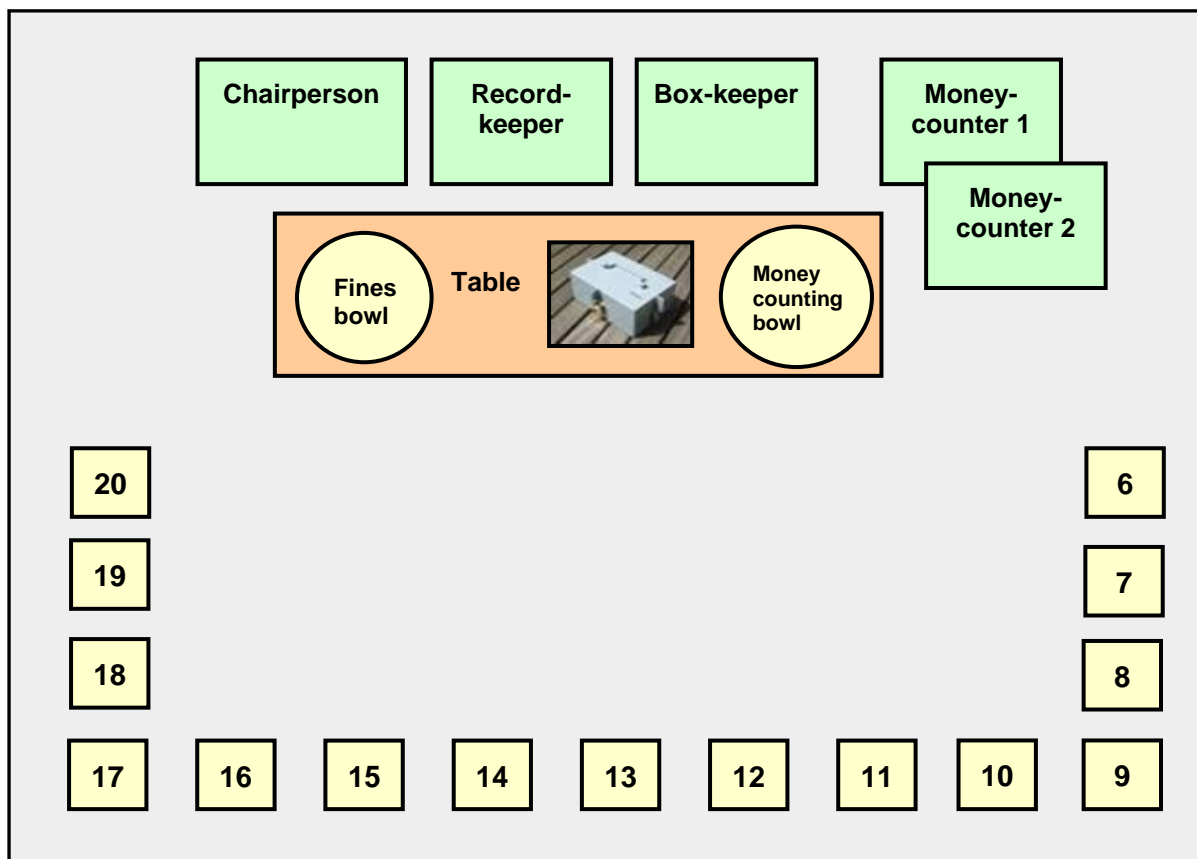
Table 8: Qualities and responsibilities of the VSLF Money-counters

Qualities	Responsibilities
<ul style="list-style-type: none"> Able to count quickly and accurately Trustworthy Calm and organised Always on time 	<ul style="list-style-type: none"> Counts all amounts paid to, or taken from the VSLA Informs the Record-keeper of the correct amount to be recorded in the passbook

Key Holders are appointed by open discussion and must be non-Committee members. Once elections are completed, the FO ends by saying that in the next meeting, the Federation will learn how to create policies for running an Insurance/Expenses Fund, buying shares, and taking and repaying loans.

The members are then seated as shown in Figure 4. This example displays 20 members.

Figure 4: VSLF seating arrangements



Module 2: Development of VSLF Constitution: Financial services policies

Purpose of the meeting

The FO says that the purpose of the meeting is to develop a set of rules that cover how the VSLAs will buy shares in the VSLF, how they will take out loans and pay them back, and how they will operate their Insurance/Expenses Fund.

What is covered in this meeting?

Before going to this meeting, the FO goes to Annex 2 Page 41) and makes a copy of the blank Constitution framework for a VSLF. The FO takes this with him/her to the meeting and to the next meeting.

The goal of this meeting is to:

- Develop VSLF Insurance/Expenses Fund policies
- Develop VSLF Savings and Loan Fund policies

Seating arrangements

The diagram on the previous page shows how members are seated. This matters, because:

- It allows all members to see clearly what is happening and reinforces a bond
- It ensures that all members transact in order, creating a sense of organisation

The diagram shows a VSLF with 20 members, made up of 10 VSLAs. The number can be as few as 10 members from 5 VSLAs and as many as 30 from 15 VSLAs.

The FO starts the meeting by saying that everyone will sit in the same place at every meeting.

Insurance/Expenses Fund

The FO says that the VSLF will create an Insurance/Expenses Fund but, unlike the VSLA Social Fund, this has different uses. These are:

- Loan insurance that is paid to a VSLA to recover the losses that happen when a member who has a loan with the VSLA dies and whose family has no means to make repayment. This shares the burden of such losses across all the VSLAs in the VSLF
- To pay training and educational expenses, to improve the skills of the Federation, as the Federation decides are necessary

The VSLF then decides what the amount of regular contributions to the Insurance/Expenses Fund should be. These are the same for each VSLA member, and the total payable by each VSLA may, therefore, not be the same for each VSLA. The FO says that:

- this amount should be based on what the previous experience of loan losses has been and the costs that are likely to be needed to support training events.
- the Insurance/Expenses Fund is kept separately from the Loan Fund, in its own bag, although excess money in this fund can be deposited to a regulated financial institution.
- the Insurance/Expenses Fund pays benefits in the form of grants, not loans.
- the Insurance/Expenses Fund is not returned to member VSLAs⁵ except in the case of the VSLF ceasing to operate. In this case the amount returned will be in proportion to the VSLA's total contribution, relative to other VSLAs, at the time of disbanding.

⁵ At the AGM, it may be decided that excess funds in the Insurance/Expenses Fund can be returned to VSLAs,

Stamp-purchase rules

The FO says that VSLAs save in a VSLF by buying shares in the same way that individuals buy shares in their own VSLA. The value of a Federation share (the minimum amount that can be saved) is jointly decided and will be the same for all member VSLAs. At each meeting, each member VSLA can buy between 1 and 5 shares. The FO asks what the value of a share should be. (S)he explains that:

- the amount is too big if the poorest VSLAs cannot regularly buy at least one share.
- the share price must be set at a level that considers the lean period of the year.
- there is no set formula for calculating the value of a VSLF share, but is likely to cost in the range of 10 - 15 times the average value of a share in the participating VSLAs. The FO manages a discussion, to agree on the value of a Federation share. Once this is done the Representatives are told that they must ask their VSLAs if they agree.

Lending rules

All meetings of a VSLF are both savings and lending meetings.

The FO says that loans will only be given to invest in VSLA Loan Funds, and when loans are given by the VSLAs they will be treated as normal VSLA loans, not 'Federation' loans.

The FO says that:

- a Federation loan to a VSLA can be for 3 months or a maximum of 6 months
- the amount borrowed by a VSLA cannot be more than 50% of the value of the VSLAs last Distribution and must also be less than 3 times the value of a VSLA's savings in the Federation. (See Annex 6 Page 53 for the application form)
- VSLAs do not forward individual loan requests to the Federation
- a loan to a VSLA cannot be more than three times the value of the VSLA's shares.
- The application for a loan must be in writing and signed by the VSLA Management Committee and two non-Committee members. (see Annex 6 Page 53)

The FO explains that when VSLAs take loans from Federations, they usually levy a service charge, calculated for the duration of the loan. If a VSLF does not wish to levy a service charge, it is not obliged to do so, so long as it understands that there will be no profit available for Share-out to member VSLAs at the AGM.

The service charges for 3.month loans should be roughly half the average service charge used by the average VSLA. So, if the average service charge among Federation VSLAs is 10% for a 3-month loan, the Federation should charge 5% for the same time period. Likewise, if the average service charge of individual VSLAs is 5%, the Federation should charge 2.5%, or a figure that is close to half the average member VSLA service charge.⁶ Setting the Federation service charge at half that of a VSLA means that, while the Federation can earn income, so too can the member VSLAs. It is vital that the Federation service charges for loans is always less than any VSLA charges for a loan of the same duration.

The service charges should be based on flat calculations and not on declining balance, in order to keep calculations simple. Repayment amounts can vary from month to month, as the borrowing VSLA decides. The VSLAs that are borrowing only need to know the total value of the loan and the service charge.

Safety of Federation funds

The FO hands over the group Kit, which is the same as that of a VSLA. It is paid for in full by the VSLF, based on a special contribution by all member VSLAs.

VSLF projects must use lockable boxes. The reason for using three locks is to keep member money and records safe and to make sure that transactions cannot take place privately between meetings.

⁶ See Annex 5 Page 51 for VSLF service charge calculation tables

Module 3: Development of the VSLF Constitution: Governance

Purpose of the meeting

The FO explains that the rules developed in the previous meeting will be included in the Constitution, but that this meeting will concentrate on the rules that help the VSLF govern itself, including the decisions already made about the Insurance/Expenses Fund, savings, and loans in Module 2.

What is covered in this meeting?

- Development of governance policies

This form allows the FO to write down Federation decisions. Part of it is already fixed, because some things should be common to all Federations. Decisions that the Federation needs to make for itself are shown as underlined blank spaces.

The FO goes through the blank form, item by item, and helps the members to reach agreement on each clause. The FO then helps them to fill in the blank spaces. The FO should never think that (s)he knows what the Federation will decide and fill out the form before going to the meeting. It may make the process faster, but if it is not the genuine decision of the member VSLA Representatives, it will not be 'owned' by them.

Once the form is filled, all the Representatives then sign the Constitution to show that they agree.

The Federation should not rush these discussions to get this done in one meeting. Respect for the Constitution is vital for the success of a Federation. If a Federation feels the need to discuss in greater detail or for Representatives to report the progress of the development of the Constitution to their VSLAs, then spreading it out over two meetings is appropriate (and quite common).

Module 4: First VSLF savings meeting

Purpose of the meeting

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

What is covered in this meeting?

- Security of VSLF funds
- Procedures for the first VSLF savings meeting

Security of VSLF funds

So as to increase its capital base, a Federation does not have a normal Distribution at the end of its annual cycle (but shares out only an agreed amount of the net profit). Therefore, it is likely, over time, to be handling large sums of money as Service charge earnings accumulate. For this reason, the Federation may want to open an account in the nearest regulated financial institution. While a bank or cooperative may not be conveniently to hand, the FO promises to:

- work with the Federation to try to identify the nearest financial institution with a good reputation, able to take deposits from a Federation
- assist the Federation to register as a Women Association under the Ministry of Women Affairs at the State level

Managing a meeting: General

The FO explains that the savings and lending procedures of a Federation are based on those of VSLAs. The main difference is that while VSLAs save every week and may, in some cases, decide to lend only every month, all Federation meetings take place every 4 weeks and include savings and lending. The following procedures framework for the first of these meetings is shown as Table 9 on the following page and is used by the Field Officer to guide the Federation in its first savings and loan meeting.

Records

The principal records are the VSLA passbooks, in which all savings and loan records are maintained. Unlike VSLAs, which keep the member passbooks inside the three-lock box, the Representatives carry VSLF passbooks back to their respective VSLAs, to prove that the financial transactions took place. To guard against losses or false alterations in the passbooks, the Federation maintains a set of records in a notebook which is kept in the box, covering the following:

- Record of cash balances in the Insurance/Expenses Fund bag and the Loan Fund bag.
- Record of shares bought by each VSLA.
- Record of loans outstanding by each VSLA.

These records are illustrated in (Pages. 54-60).

Procedures

Tables 9, 11 and 12 cover the procedures for the first savings meeting, the first loan meeting and the first loan repayment meeting.

Table 9: Procedures for first VSLF savings meeting

Meeting step	First savings meeting – Procedures
1. Meeting opening	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order • The Record-keeper performs a roll call, by VSLA number • The Key-holders open the box, which remains in front of the Box-keeper • The Fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting • The Record-keeper calls both Representatives for each VSLA forward • The Record-keeper writes their VSLA name and number (given to it by the VSLF) on a passbook and gives the passbook to one of the 2 Representatives from each VSLA
2. Insurance/ Expenses Fund	<ul style="list-style-type: none"> • The Chairperson announces that contributions will be made to the Insurance/Expenses Fund • The Record-keeper calls each VSLA, by number, to give their Insurance/Expenses Fund contribution to the Money-counters • When the Representative (one of the two) comes forward, they give their Insurance/Expenses Fund contribution to the Money-counters • The Money-counters confirm that the Representative has given the right contribution and place it in the Money-counting bowl • The Record-keeper notes the payment made in the passbook, in the form of a checkmark • Once all contributions have been made, the money-counters count the total amount in the Money-counting bowl and announce this to the Representatives • The Record keeper says that everyone should remember this amount for the next meeting • The Record keeper records this amount in the notebook (See Annex 8.3 Page 60) • The Insurance/Expenses Fund money is then replaced in its draw-string bag and put back in the Cash box

Meeting step	First savings meeting – Procedures
3. Stamp-purchase/savings	<ul style="list-style-type: none"> • The Chairperson announces that VSLAs will now buy shares • The Record-keeper calls each VSLA's Representatives to the front by their VSLA number, reminding them of the share value • The Representative (one of the two) comes to the front and buys between 1 - 5 shares, giving the money to the Money-counters and presenting their passbook to the Record-keeper • The Money-counters count the money, place it in the Money-counting bowl and announce the number of shares that have been purchased by the VSLA • The Record-keeper shares the correct number of shares into the passbook and crosses out any unused blocks. The Record-keeper notes down the total number of shares bought by the VSLA in the notebook (See Annex 8.1, Page 56) • The Representatives then check that the number of new shares in the passbook is correct. The passbook is retained by the Representatives as evidence of payment • The Chairperson instructs the Money-counters to combine the money in the Fines bowl and the Money-counting bowl • The Money-counters count the money in the Money-counting bowl and the Record-keeper announces the amount to the VSLF • The Record-keeper then tells the VSLF that this money constitutes their Loan Fund • The Record-keeper records this amount in the notebook (See Annex 8.3 Page 60) • The Money-counters place the Loan Fund in its draw-string bag and put it in the Cash box
4. Closing balances	<ul style="list-style-type: none"> • The Chairperson takes the notebook from the Record-keeper and announces the total cash balance in the Insurance/Expenses Fund and the total cash balance in the Loan Fund, instructing members to remember these amounts for the next meeting • The Backup record-book is passed around for each VSLA to confirm that the entries are correct • The Key-holders are called by the Chairperson to lock the bo
5. Closing	<ul style="list-style-type: none"> • The Chairperson invites Representatives to discuss any other subject that may be of interest • The Chairperson announces the date and time of the next meeting and reminds everyone to come with their VSLA's Insurance/Expenses Fund contribution and share-purchase money • The Chairperson tells the Representatives that they will be able to request a loan at the first loan meeting, four weeks from the date of this meeting and must bring a loan application form, signed by the Chairperson and Record-keeper of their VSLA (see, Page. 51). They must also bring the service charge, if any, for the loan. • The Representatives are reminded that no VSLA can borrow more than 50% of the value of their last cycle's Distribution and that loans to VSLAs can be for 3 or 6 months, nor any more than 50% of the value of the last cycle Distribution • Each member VSLA is given a loan application form and a savings withdrawal form (See Annexes 6 & 7, Pages 54-55) • The Chairperson closes the meeting

The Record-keeper enters the following data in his/her notebook at the end of every meeting:

Table 10: Monthly (four-weekly) record of balances - Example

<i>Date</i>	<i>Cash in Insurance/Expenses Fund bag</i>	<i>Cash in Loan Fund bag</i>
<i>4/1/21</i>	<i>NGN 29,000</i>	<i>NGN 320,000</i>

Module 5: First VSLF loan meeting

Purpose of the meeting

This meeting takes place 4 weeks after the first savings meeting. The FO tells the Representatives that this meeting will be the first chance that VSLAs have to borrow, once Insurance/Expenses Fund and share-purchase activities are completed. (S)he also tells them that from now on, loans can be taken and repaid at every meeting.

What is covered in this meeting?

- Procedures for the first VSLF loan disbursement meeting

First disbursement of loans

The FO supervises the first loan disbursement, following the procedures outlined below.

Table 11: Procedures for first VSLF loan disbursement meeting

Meeting step	First loan meeting – Procedures
1. Meeting opening	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order • The Record-keeper performs a roll call by VSLA number • The Key-holders open the box, which remains in front of the Box-keeper • The Fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting
2. Insurance/Expenses Fund	<ul style="list-style-type: none"> • The Chairperson asks the Representatives to recall the balance of the Insurance/Expenses Fund from the previous meeting • The Money-counters then remove the money from the Insurance/Expenses Fund bag, place it in the Money-counting bowl, count it and announce the amount to the Representatives • The Chairperson announces that contributions will be made to the Insurance/Expenses Fund • The Record-keeper calls each VSLA, by number, to give their Insurance/Expenses Fund contribution to the Money-counters • When the Representative (one of the two) comes forward, they give their Insurance/Expenses Fund contribution to the Money-counters • The Money-counters confirm that the Representative has given the right contribution and place it in the Money-counting bowl • The Record-keeper notes the payment made in the passbook, in the form of a checkmark • The Record-keeper then asks if any VSLA needs a grant from the Insurance/Expenses Fund to cover a death. Representatives of VSLAs in need make their request to the VSLF. • If a majority of the Representatives approve the grant, the money is provided to the Representative according to the Constitution • The Money-counters count the total amount remaining in the Money-counting bowl and announce this to the Representatives • The Record-keeper says that everyone should remember this amount for the next meeting • The Record-keeper records this amount in the notebook • The Insurance/Expenses Fund money is then replaced in its draw-string bag and put back in the Cash box

Meeting step	First loan meeting – Procedures
3. Stamp-purchase/savings	<ul style="list-style-type: none"> • The Chairperson announces that VSLAs will now buy shares. The Record-keeper asks the Representatives to recall the balance of the Loan Fund from the previous meeting • The Money-counters then remove the Loan Fund from its bag and count it, announcing the amount to the Representatives • Once it is agreed that the amount remembered and the amount counted are the same, the money is placed in the Money-counting bowl • The Chairperson announces that VSLAs will now buy shares • The Record-keeper calls each VSLA's Representatives to the front by their VSLA number, reminding them of the share value • The Representative (one of the two) comes to the front and buys between 1 - 5 shares, giving the money to the Money-counters and presenting their passbook to the Record-keeper • The Money-counters count the money, place it in the Money-counting bowl and announce the number of shares that have been purchased by the VSLA • The Record-keeper shares the correct number of shares into the passbook and crosses out any unused blocks. The Record-keeper notes down the total number of shares bought by the VSLA in the notebook • The Representatives then check that the number of new shares in the passbook is correct. The passbook is retained by the Representatives as evidence of payment • (If a VSLA needs to make a withdrawal, their designated Representative will ask for it instead of buying shares and must present a written request from the VSLA concerned, signed by the VSLA Chairperson and Record-keeper. When a withdrawal is needed, the Record-keeper will cross out the number of shares from the Representative's VSLA passbook that corresponds to the value of the withdrawal and the Money-counters will give the money from the Money-counting bowl. The value of a share paid back to the Representative will be equal to its original purchase price.) • The Chairperson instructs the Money-counters to combine the money in the Fines bowl and the Money-counting bowl • The Money-counters count the money in the Money-counting bowl and the Record-keeper announces the amount to the VSLF • The Record-keeper then tells the VSLF that this is the money available for lending in this meeting

Meeting step	First loan meeting – Procedures
4. Loan taking	<ul style="list-style-type: none"> • The Chairperson invites loan requests, reminding Representatives of the maximum loan term and loan amount (three times the savings of the VSLA and no more than half the value of their last Distribution) • Each Representative whose VSLA wants a loan then makes a request out loud to the VSLF, announcing the amount requested, the purpose of the loan and over what period of time they expect to repay. The Representative also presents a loan application form (see Annex 6 Page 53) to the Record-keeper • The Record-keeper checks in the borrower's passbook to confirm that each borrowing VSLA is eligible for the amount requested and then makes a total of the requests from all of the VSLAs. This amount is then announced • If the total value of loans requested is more than the money available in the Loan Fund, the VSLF must discuss adjustments to the individual VSLA loan amounts until all Representatives are satisfied • Once it is decided how much each VSLA borrower will receive, the Record-keeper calls the two Representatives of the recipient VSLA to the front in order of their VSLA's number • The Record-keeper then enters the loan number, loan amount and service charge due in the borrower VSLA's passbook • The Record-keeper instructs the Money-counters to give the Representative the loan amount from the Money-counting bowl • The borrower VSLA's Representative then counts the money, and signs the passbook • The passbook is returned to the Representative • The Record-keeper then enters the sum outstanding in the notebook (See Annex 8-2 Page 58) • The Record-keeper then instructs the borrower VSLA's Representative to announce out loud the total amount due and the date it is due • This process is repeated until all loans have been issued • The Money-counters then count the money remaining in the Money-counting bowl and announce the amount to the VSLF • The Record-keeper then tells the VSLF that this money constitutes their Loan Fund • The Record-keeper records this amount in the notebook • The Money-counters then place the cash remaining unused in the Loan Fund in its draw-string bag and put it in the Cash box
5. Closing balances	<ul style="list-style-type: none"> • The Chairperson takes the notebook from the Record-keeper and announces the total cash balance in the Insurance/Expenses Fund and the total cash balance in the Loan Fund, instructing members to remember these amounts for the next meeting • The Backup record-book is passed around for each VSLA to confirm that the entries are correct • The Key-holders are called by the Chairperson to lock the box
6. Closing	<ul style="list-style-type: none"> • The Chairperson invites Representatives to discuss any other subject that may be of interest • The Chairperson announces the date and time of the next meeting and reminds everyone to come with their VSLA's Insurance/Expenses Fund contribution and share-purchase money • The Chairperson closes the meeting

Module 6: First VSLF loan repayment meeting

Purpose of the meeting

This meeting takes place 4 weeks after the first loan disbursement. The FO tells the members that this will be the first time that the VSLF will be able to receive loan repayments and that (s)he will guide them through the steps.

What is covered in this meeting?

- Procedures for the first Federation loan repayment meeting

First repayment of loans

The FO uses Table 12 to facilitate the meeting, which involves loan repayments received for the first time, and refers to Annex 5 (p. 49) to help the Federation understand the loan record-keeping system.

Table 12: Procedures for a loan meeting with first loan repayments

Meeting step	First loan repayment meeting – Procedures
1. Meeting opening	<ul style="list-style-type: none"> • The Chairperson calls the meeting to order • The Record-keeper performs a roll call by VSLA number • The Key-holders open the box, which remains in front of the Box-keeper • The Fines bowl is placed in front of the Chairperson, so that fines can be collected during the meeting
2. Insurance/ Expenses Fund	<ul style="list-style-type: none"> • The Chairperson asks the Representatives to recall the balance of the Insurance/Expenses Fund from the previous meeting • The Money-counters then remove the money from the Insurance/Expenses Fund bag, place it in the Money-counting bowl, count it and announce the amount to the Representatives • The Chairperson announces that contributions will be made to the Insurance/Expenses Fund • The Record-keeper calls each VSLA, by number, to give their Insurance/Expenses Fund contribution to the Money-counters • When the Representative (one of the two) comes forward, they give their Insurance/Expenses Fund contribution to the Money-counters • The Money-counters confirm that the Representative has given the right contribution and place it in the Money-counting bowl • The Record-keeper notes the payment made in the passbook, in the form of a checkmark • The Money-counters count the total amount remaining in the Money-counting bowl and announce this to the Representatives • The Record-keeper says that everyone should remember this amount for the next meeting • The Record-keeper records this amount in the notebook • The Insurance/Expenses Fund money is then replaced in its draw-string bag and put back in the Cash box

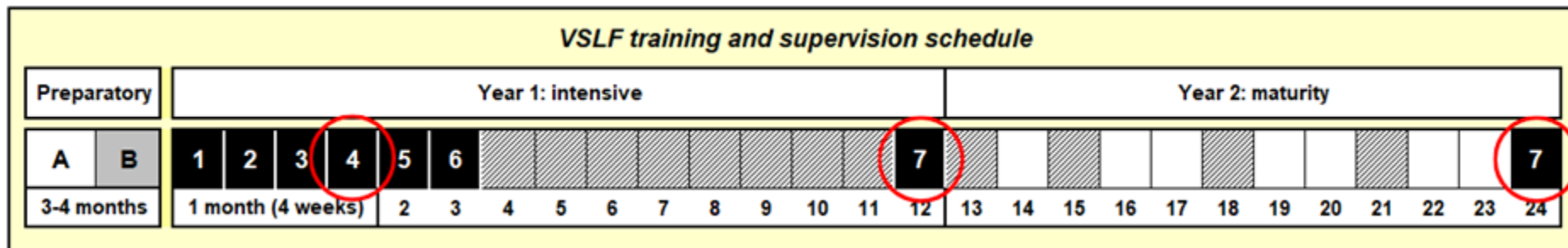
Meeting step	First loan repayment meeting – Procedures
3. Stamp-purchase/savings	<ul style="list-style-type: none"> • The Chairperson announces that VSLAs will now buy shares. The Record-keeper asks the Representatives to recall the balance of the Loan Fund from the previous meeting • The Money-counters then remove the Loan Fund from its bag and count it, announcing the amount to the Representatives • Once it is agreed that the amount remembered and the amount counted are the same, the money is placed in the Money-counting bowl • The Chairperson announces that VSLAs will now buy shares • The Record-keeper calls each VSLA's Representatives to the front by their VSLA number, reminding them of the share value • The Representative (one of the two) comes to the front and buys between 1 - 5 shares, giving the money to the Money-counters and presenting their passbook to the Record-keeper • The Money-counters count the money, place it in the Money-counting bowl and announce the number of shares that have been purchased by the VSLA • The Record-keeper shares the correct number of shares into the passbook and crosses out any unused blocks. The Record-keeper notes down the total number of shares bought by the VSLA in the notebook • The Representatives then check that the number of new shares in the passbook is correct. The passbook is retained by the Representatives as evidence of payment • (If a VSLA needs to make a withdrawal, their designated Representative will ask for it instead of buying shares and must present a written request from the VSLA concerned, signed by the VSLA Chairperson and Record-keeper. When a withdrawal is needed, the Record-keeper will cross out the number of shares from the Representative's VSLA passbook that corresponds to the value of the withdrawal and the Money-counters will give the money from the Money-counting bowl. The value of a share paid back to the Representative will be equal to its original purchase price.)
4. Loan repayment	<ul style="list-style-type: none"> • The Chairperson asks borrower VSLAs to identify themselves • By referring to the notebook, the Record-keeper confirms the identity of the borrower VSLAs and the amount due • Each borrower VSLA's Representative is then called to the front to give the VSLA's loan installment to the Money-counters. • The Money-counters count the payment, announce the amount and place it in the Money-counting bowl • The Record-keeper enters the payment amount in the member VSLA's passbook in the 'Paid' box • The Record-keeper then calculates the remaining balance due and enters it in the 'Balance' box in the member's passbook • If the remaining balance due is zero, the Record-keeper signs the passbook and announces that the loan is repaid, cancelling the loan with a diagonal red line drawn through the page • If a balance is remaining, the borrowing VSLA's Representative then signs in the space provided • The Money-counters combine the money in the Fines bowl and the Money-counting bowl • The Money-counters count the money in the Money-counting bowl and the Record-keeper announces the amount • The Record-keeper then tells the VSLF that this is the money available for lending in this meeting

Meeting step	First loan repayment meeting – Procedures
5. Loan taking	<ul style="list-style-type: none"> • The Chairperson invites loan requests, reminding Representatives of the maximum loan term and loan amount (three times the savings of the VSLA and no more than half the value of their last Distribution) • Each Representative whose VSLA wants a loan then makes a request out loud to the VSLF, announcing the amount requested, the purpose of the loan and over what period of time they expect to repay. The Representative also presents a loan application form (see3, Page. 51) to the Record-keeper • The Record-keeper checks in the borrower's passbook to confirm that each borrowing VSLA is eligible for the amount requested and then makes a total of the requests from all of the VSLAs- This amount is then announced • If the total value of loans requested is more than the money available in the Loan Fund, the VSLF must discuss adjustments to the individual VSLA loan amounts until all Representatives are satisfied • Once it is decided how much each VSLA borrower will receive, the Record-keeper calls the two Representatives of the recipient VSLA to the front in order of their VSLA's number • The Record-keeper then enters the loan number, loan amount and service charge due in the borrower VSLA's passbook • The Record-keeper instructs the Money-counters to give the Representative the loan amount from the Money-counting bowl • The borrower VSLA's Representative then counts the money, and signs the passbook • The passbook is returned to the Representative • The Record-keeper then enters the sum outstanding in the notebook (See Annex 8.2 Page 58) • The Record-keeper then instructs the borrower VSLA's Representative to announce out loud the total amount due and the date it is due • This process is repeated until all loans have been issued • The Money-counters then count the money remaining in the Money-counting bowl and announce the amount to the VSLF • The Record-keeper then tells the VSLF that this money constitutes their Loan Fund • The Record-keeper records this amount in the notebook • The Money-counters then place the cash remaining unused in the Loan Fund in its draw-string bag and put it in the Cash box
6. Closing balances	<ul style="list-style-type: none"> • The Chairperson takes the notebook from the Record-keeper and announces the total cash balance in the Insurance/Expenses Fund and the total cash balance in the Loan Fund, instructing members to remember these amounts for the next meeting • The Backup record-book is passed around for each VSLA to confirm that the entries are correct • The Key-holders are called by the Chairperson to lock the box
7. Closing	<ul style="list-style-type: none"> • The Chairperson invites Representatives to discuss any other subject that may be of interest • The Chairperson announces the date and time of the next meeting and reminds everyone to come with their VSLA's Insurance/Expenses Fund contribution and share-purchase money • The Chairperson closes the meeting

In all meetings from now on, the FO uses Table 12 as the guide for all VSLF meetings. This should be laminated in plastic and always carried in the field by the FO.

Phases in a VSLF's development

Figure 5: Transition to the Maturity Phase



The FO should schedule regular visits by his/her Supervisor at the meetings circled in red.

Unlike the normal VSLA schedule, there is no Development Phase, but a transition from an Intensive phase to a Maturity phase: In the Intensive phase, the FO must attend all meetings, every 4 weeks for the first year. This is done not so much to confirm that proper procedure is followed (because all participants will be quickly familiar with procedures that are mainly the same as for their VSLAs), but to be sure that records are accurate, and that disputes are resolved (disputes are more likely in VSLFs, where members are less well-known each other).

After the first year, and with the authorisation of the FO's Supervisor, the second year needs only quarterly visits by the FO, so long as things continue smoothly.

The FO will only need to increase his/her visits to help in the establishment of other committees as the group decides. More committees will not be created for at least a year after formation. No such additional committees should be created unless there is a clear set of management, administrative and financial systems created for a clearly defined activity.

Module 7: Annual dividend payment to member VSLAs

Purpose of the meeting

This meeting takes place 12 months after the establishment of the VSLF and every 12 months thereafter at the Annual General Meeting of the Federation. Its purpose is to wind up the year's activities by the Management Committee to pay dividends to member VSLAs and to prepare the General Assembly for the next annual cycle.

Who participates?

- All Representatives of all VSLAs
- Any members of VSLAs linked to the Federation

What is covered in this meeting?

- Method of Profit calculation
- Distribution of profits between member VSLAs and the Federation
- Procedures for the Share-out of profit

Method of profit calculation

The payment of dividends takes place once a year at the Annual General Meeting of the Federation. It is fundamentally different to traditional Distribution meetings, because instead of sharing out all their money, VSLAs will be paid only the profits on the Federation's activities and then only that part of profits that the members all agree on.

Profits are not calculated using a standard set of financial records, because the Federation depends on passbooks and cash and bank balance records to track assets and liabilities. In conformity with this system, profits are estimated using the following formula:

Total assets - Total liabilities - Paid in capital - property at start (if any) = Profit

This is quite simple in practice as illustrated in the example below. It is calculated at the time of the annual dividend payment, when all loans have been repaid.⁷

Figure 6: Imputed profit calculation

VSLA Federation annual dividend share out: Profit calculation	
Value of loans outstanding	0
Plus: Loan fund cash in box	1,440,500
Plus: Bank balance	75,000
Plus: Property now	180,000
Minus: Value of savings this cycle	1,492,000
Minus: Property at start of cycle	0
Minus: External debts	0
Equals: Profit (or loss) to date	203,500

The amount available to be shared among the VSLAs must only be taken from profits. If more than this sum is paid out, it will reduce the VSLF share value below its purchase price.

⁷ In some cases, there may be loans which have not been repaid. If this happens, the amount is subtracted from the member VSLA's shares at original purchase price of the shares.

Method of calculating dividends

The example below shows how dividends are calculated, presented in the form of a flip chart, so that every VSLA understands what is going on. VSLA representatives should, where possible, take photographs of the finished flip chart to show to their VSLAs how the was calculated.

Figure 7: Dividends per VSLA calculation tool

VSLA No.	1 → Shares per VSLA		Dividend per share	7 → Payout to each VSLA
VSLA 1	27	x		16,500
VSLA 2	40	x		24,450
VSLA 3	35	x		21,400
VSLA 4	16	x		9,750
VSLA 5	28	x		17,100
VSLA 6	41	x	5 → 612.245	25,100
VSLA 7	28	x		17,100
VSLA 8	30	x		18,350
		x		
		x		
		x		
Total shares → 2 → 245				Round down value → 6 → 50
Total dividend → 3 → 150,000				Total shared out → 8 → 149,750
Dividend per share → 4 → 612.245				Balance remaining → 9 → 250

The yellow arrows show the sequence in which this chart is filled out.

1. Entering the number of shares owned by each VSLA at the last meeting of the cycle
2. Totalling up the number of shares
3. Entering the total cash available to be distributed as dividend
4. Dividing the Total cash by the number of shares to get the end-of-cycle Dividend payable per share
5. Entering the Dividend per share value in the centre box and multiplying each VSLAs shares by the Dividend-per-share value
6. Rounding down the result for each member to the nearest NGN 50 and,
7. Entering the result for each member
8. Adding up the total of the Pay-outs to each member and confirming that it is equal to, or less than, the Total cash available to be distributed as dividend (3)
9. Confirming that the Balance remaining is the same as on the chart

Dividend payment: Procedures for calculating what each VSLA receives and how to prepare for the next cycle

The Management Committee prepares for this meeting by estimating the expected profit of the Federation in the month prior to the meeting, using Figure 6 as a guide. They ensure that they have sufficient cash on hand, to pay what is owed to each VSLA, in suitable denominations.

Table 13: Procedures for dividend Share-out at the end of the cycle

Meeting step	Dividend Share-out procedures and preparation for the new cycle
1. Distribution	<ul style="list-style-type: none"> • The Chairperson opens the meeting and announces the purposes, which are <ul style="list-style-type: none"> • to calculate profits of the Federation • to decide on how the profits will be used, divided between payments to member VSLAs and money retained by the Federation • to distribute what is agreed to member VSLAs as dividends • The Record-keeper then announces if any VSLA is in default on a loan to the Federation • If payment is not immediately forthcoming, the Record-keeper cancels shares in the defaulting VSLAs passbook equal to the value of the sum that has not been recovered • The Record-keeper then uses a flip chart to calculate Federation profits as illustrated in Figure 7 • The Chairperson facilitates a discussion as to the uses to which these profit can be put, including how much will be used for Federation investments and how much will be used as dividend payments to member VSLAs • Once it has been decided how much money will be paid to member VSLAs, the Money-counters count out this sum from the Loan Fund bag and place it in the Money-counting bowl, returning the balance to the Loan Fund bag, which is returned to the box • While the Money-counters are counting, the Record-keeper takes the member VSLA passbooks and counts the total number of shares • The Record-keeper then divides the total money available for pay-out by the total number of shares currently owned by all of the VSLAs. This will give a value of the dividend payable on a single share • The Record-keeper then multiplies the value of the dividend payable by the number of uncanceled shares in the VSLA member passbooks and writes the results on the flip chart for each VSLA member as shown in Figure 7 • The Money-counters then count out the amount to be paid, rounding down to the nearest whole unit of currency and place the money in the VSLA members' passbooks • <u>All passbooks are treated in the same way before anyone receives any money.</u> Once the process is complete, there will be a small amount of money remaining due to rounding down, but there should not be a shortfall. If there is a shortfall, the process is repeated until the amounts are correct. Any small amount remaining is put back in the Loan Fund bag • All VSLA Representatives are given their passbooks with all the dividend money • Once this process is completed and the dividends are paid, each VSLA has the right to withdraw up to a maximum of 75% of their total savings to date. Leaving 25% of their savings in the Federation means that there is a useful amount of capital available for borrowing at the start of the new cycle. Only if the VSLA decides to quit the Federation can it receive the full value of its current shares at original purchase price • The VSLA members then take their dividend and withdrawal money back to their VSLA to be included in the Loan Fund • The Money-counters then count the total cash in the Loan Fund and the Record-keeper notes this sum in the record-book under the Cash balances at the end of the meeting in the record-book

Meeting step	Dividend Share-out procedures and preparation for the new cycle
2 Preparation for the next cycle	<ul style="list-style-type: none"> Any member VSLA that wants to leave the VSLF should be free to do so. It must have repaid any outstanding loan, or request that its outstanding loan balance should be deducted from its savings. It should provide at least four weeks' notice of this intention, to ensure that the Federation can have the cash on hand to make the repayment. The repayment will be at the face value of its savings and will take place at the first meeting of the new cycle New member VSLAs can now be allowed to join, if the General Assembly approves and will be inducted at the next meeting, when they should send their Representatives The FO then explains to the VSLA that in their next meeting, they must hold elections and then revise their Constitution, which new members must sign. (S)he then offers to attend the next meeting to assist with elections and the Constitution

Annex 1: Part 3 of a VSLA Constitution framework, for VSLAs participating in a Federation

Part 3: Federation membership

I MEMBERSHIP IN A FEDERATION

- All members must approve membership of the VSLA in a VSLF
- The group can join a Federation only after it has completed 12 months of independent operation and is no longer regularly supervised by a Field Officer or Village Agent

II THE FEDERATION INSURANCE/EXPENSES FUND

- The contribution to the Federation Insurance/Expenses Fund every 4 weeks will be _____ per individual member of the VSLA
- Applications for support from the Federation Insurance/Expenses Fund can be made in the following cases:
 - Reimbursement to the VSLA for losses incurred when a loan cannot be recovered from a member through death
 - Expenses incurred in making technical visits in accordance with Federation criteria

III SAVINGS IN A FEDERATION

- Federation meetings take place every 4 weeks
- Federation shares are bought at every meeting
- The purchase price of a Federation share is: _____
- The number of shares to be bought must be approved by all of the members of the VSLA, but cannot be more than 5
- The money for Federation share-purchase is taken from the VSLA Loan Fund

IV BORROWING FROM A FEDERATION

- The maximum amount that the VSLA can borrow is three times the value of its savings in the Federation and no more than 50% of the value of its last share out.
- Loans to be taken from a Federation can be held for 3 months or 6 months
- Any loan that is taken from the Federation must be paid back before the end of the borrowing WA's annual share-out
- The group must repay a Federation loan before it can take another
- The VSLA is free to pay as much, or as little of an outstanding loan as it chooses in any Federation meeting
- The service charge to be charged by the Federation every three months is: _____%.

V REPRESENTATION OF THE VSLA TO THE Federation

- The VSLA will elect 2 members to represent it at the Federation
- At least one Representative to the Federation must be a non-Committee VSLA member
- Elections to the post of VSLA Representative to the Federation must be held annually
- At least 3 candidates to the post of Federation Representative must be nominated and the nominations accepted

Annex 2: Constitution framework for a VSLF

Part 1: Federation governance

I. BASIC INFORMATION ON THE FEDERATION

- Name of the Federation _____
- Address: _____
- The Federation was formed on: _____
- Date of official registration (if any): _____

II. OBJECTIVE OF THE FEDERATION

- The purpose of the Federation is to be an independent, profitable provider of financial services to member VSLAs
- The services the Federation provides to its VSLA members in order to achieve this objective are:

III. WHO MAY BE A MEMBER OF THE FEDERATION?

- VSLAs' location/s: _____
- VSLAs operating independently (without training and supervision) for at least 12 months
- Other common circumstances _____

IV. COMPOSITION OF THE COMMITTEE

- Chairperson
- Record-keeper
- Box-keeper
- 2 Money-counters

V. ELECTION PROCEDURES

- Elections must be held annually for all Management Committee positions
- The minimum number of people that must stand for each position is 2
- A Representative can only serve for a maximum of three consecutive terms
- The minimum number of Representatives needed to hold an election is: _____
- The election procedure will use a system that allows everyone's vote to be secret
- A candidate for any position must be proposed by another Representative

VI. REMOVAL OF OFFICERS FROM THEIR POSITION BETWEEN ELECTIONS

- Any Representative of the Federation 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 Representatives decide to remove him/her
- An election is required to fill the vacant position

VII. MEETINGS

- To allow member VSLAs to buy shares, the Federation will meet every 4 weeks
- Stamp-purchase and loan disbursements and repayments will be conducted at every meeting.
- The Federation will conduct an Annual General Meeting (AGM) at which all of the VSLA members that are affiliated to the Federation will be invited (not just the Representatives). All of the VSLA members present have voting rights at the AGM

VIII. VSLAs LEAVING THE FEDERATION

If a VSLA leaves before the cycle is finished, the money they have used to purchase shares will be returned to them, minus any loan and service charge they owe

IX. EXPULSION FROM THE FEDERATION

The reasons for which a VSLA should be expelled from the Federation are:

X. FINES

The following table lists the fines that will be charged.

Reason for fins	Amount
Failure to attend a meeting without sending word	
Late to a meeting	
Not remembering Federation rules	
Not remembering balances from the preceding meeting	
Loss of Representative number card	
Forgetting a key to the box	
Loss of a key to the box	
Loss of a Wag Member passbook	
Chatting through the proceedings	
Failure of a member of the Management Committee to perform their duties	
% of the loan balance, payable at every meeting, when loan is past due	

XI. AMENDMENTS TO THE CONSTITUTION

- 2/3 of the Representatives must agree before the Federation Constitution can be changed
- Any Representative can propose an amendment to the Constitution

Part 2: Services offered by the VSLF

I. SAVINGS

- Member VSLAs may contribute in multiples of 1-5 of a base amount (minimum contribution) in each meeting
- This base amount will be: _____
- Excepting as listed in the following clause, a member VSLA's savings can be withdrawn on demand at any meeting of the Federation and will be paid as soon as funds are enough. No profits shall be paid on savings withdrawn from the Federation before the end of the Federation's AGM
- No VSLA can withdraw more than _____% of its savings at any one time
- VSLAs that want to withdraw savings from the VSLF must give _____ months' notice
- Member VSLA savings cannot be withdrawn from the Federation on demand until any outstanding loan liabilities have been cleared

II. LENDING

- The Federation will disburse loans to VSLAs for investment in their loan portfolios, which will operate in the normal way. Loans will not be classified as Federation and VSLA loans. All loans to VSLA members will be VSLA loans
- The Federation will not require VSLAs to provide information on their internal loan portfolio of borrowers
- The maximum amount that any VSLA can borrow is three times the value of its savings in the Federation, and no more than 50% of the value of its last Distribution.
- The length of a loan term is either 3 months or 6 month
- A Federation loan to a VSLA must never exceed the remaining length of time in a VSLA's annual cycle
- A member VSLA must repay a loan before it can take another
- A VSLA is free to reimburse any amount in any Federation meeting, but must complete the reimbursement within the agreed loan period
- The Federation service charge, applied for a 3-month loan is: _____%
- The Federation service charge, applied for a 6-month loan is: _____%

III. INSURANCE/EXPENSES FUND

- The Insurance/Expenses Fund is for grants only. No loans will be made from the Insurance/Expenses Fund. The following contingencies will be covered:
 - Reimbursement to the VSLA for losses incurred when a loan to a member is declared irrecoverable by reason of the death of the borrower
 - Payment for technical support provided to the Federation
 - Payment for technical visits made by the Federation
- The contribution to the Federation Insurance/Expenses Fund is calculated per member of each VSLA and is paid monthly. The amount per member will be _____

VSLA Name	Signature of VSLA Representative
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____
Name: _____	Signature: _____

Annex 3: The Kit

The Kit consists of:

- Strong, well-made lockable metal Cash box, able to be closed with 3 locks
- Three good quality padlocks, each with two keys
- 10 passbooks
- 1 notebook
- Rubber share for marking minimum contribution shares in the passbooks
- Ink pad and spare bottle of ink
- Ruler
- Two ball point pens: one black or blue, the other red
- Good quality calculator
- 2 plastic bowls in different colours, at least 30 cm in diameter and at least 15 cm deep (one for fines and one for money-counting)
- 2 fabric moneybags, with draw strings: one in one colour for the Insurance/Expenses Fund and one in another colour for the Loan Fund



Annex 4: Use of passbooks

Savings

VSLAs save in their VSLFs in the form of multiples of shares, which are stamped in the front section of the passbook, as shown in Figure 5.

Figure 5: Passbook with 11 shares

Price of a share		NGN 5,000	
Starting number of shares this page			0
Shares bought at each meeting			
→			
→	→		
→	→	→	
→	→	→	
→	→		
Ending number of shares this page			

Explanation: The illustration shows that there have been five meetings and that the VSLA has bought 11 shares in the Federation at a price of NGN 5,000 each, with each purchase indicated by a single share.

When VSLAs make their contributions, the Record-keeper shares in each passbook the number of shares bought, and the member confirms that the amount is correct.

On each line, the unused spaces are marked through with a diagonal line to prevent fraudulent entry of shares at a later date.

The total contributed is 11 shares x NGN 5,000 = NGN 55,000.

Loans

Loans are recorded in the back of the passbook. See Annex 6 Page 53 for the Loan application form

Figure 8: Member loan record (1)

Loans			
Date of loan disbursement		26/4/2022	
Date by which the loan must be repaid		26/7/2022	
Date	Item	Amount	Signature
26/4/2022	Loan request	100,000	Fatima
	Service charge	5,000	
	Service charge paid	5,000	
	Loan amount	100,000	
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		

Explanation: The example on the left is a first loan to a VSLA, which borrows NGN 100,000. The starting date is shown (26/7/21), and a date 3 months later (26/10/21) is entered as the final day for repayment.

The service charge is NGN 5,000 because This amount is calculated from Table 15 on Page 50. This is a table showing service charges for loans that must be repaid within 3 months.

In the small table below the amount of the loan request and the service charge are entered.

- IF the VSLA elects to pay the service charge up-front, this is entered.
- IF the VSLA wants to have the service charge included in the loan, the 'Service charge paid' entry is zero and the Loan amount would increase to 105,000. In this case, Fatima's VSLA pays the serviced charge of NGN 5,000 before receiving the loan.

Figure 9: Member loan record (2)

Loans			
Date of loan disbursement		26/4/2022	
Date by which the loan must be repaid		26/7/2022	
Date	Item	Amount	Signature
26/4/2022	Loan request	100,000	Fatima
	Service charge	5,000	
	Service charge paid	5,000	
	Loan amount	100,000	
2/3	Paid	20,000	Fatima
	Balance	80,000	
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		

Explanation: At the next loan meeting, four weeks later, Fatima brings NGN 20,000 from her VSLA as its first repayment.

The next entry in her passbook shows that after paying NGN 20,000, her VSLA still owes NGN 80,000 (NGN 100,000 minus the amount paid NGN 20,000).

Figure 10: Member loan record (3)

Loans			
Date of loan disbursement		26/4/2022	
Date by which the loan must be repaid		26/7/2022	
Date	Item	Amount	Signature
26/4/2022	Loan request	100,000	Fatima
	Service charge	5,000	
	Service charge paid	5,000	
	Loan amount	100,000	
2/3	Paid	20,000	Fatima
	Balance	80,000	
24/5	Paid	50,000	Fatima
	Balance	30,000	
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		

Explanation: After another 8 weeks, on the 19th July, the VSLA made another loan repayment of 50,000. This leaves a balance owing of NGN 30,000.

Figure 11: Member loan record (4)

Loans			
Date of loan disbursement		26/4/2022	
Date by which the loan must be repaid		26/7/2022	
Date	Item	Amount	Signature
26/4/2022	Loan request	100,000	Fatima
	Service charge	5,000	
	Service charge paid	5,000	
	Loan amount	100,000	
2/3	Paid	20,000	Fatima
	Balance	80,000	
24/5	Paid	50,000	Fatima
	Balance	30,000	
19/7	Paid	30,000	Amina
	Balance	0	
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		
	Paid		
	Balance		

Explanation: Figure 11 on the left shows that at the next meeting, on the 19th July, the VSLA pays the remaining NGN 30,000 owing. The Record-keeper (Amina) enters NGN 30,000 in the 'Paid' row, reducing the balance to zero, and signs the entry.

Once the loan is fully paid, she draws a red line through the whole loan record. This confirms that the loan has been completely repaid.

Note: the number of entries will depend on the number of times the member makes a payment. The number of repayments should not exceed 6, because the maximum length of a loan term is 24 weeks (6 x 4 weeks). The passbook leaves two extra meeting spaces available in the case of late payment

Annex 5: Service charge calculation tables

Table 14: Service charges for 6-month loans from VSLF

Service charge table for 6-month loans				
Amount borrowed	4.0%	6.0%	8.0%	10.0%
20,000	800	1,200	1,600	2,000
30,000	1,200	1,800	2,400	3,000
40,000	1,600	2,400	3,200	4,000
50,000	2,000	3,000	4,000	5,000
60,000	2,400	3,600	4,800	6,000
70,000	2,800	4,200	5,600	7,000
80,000	3,200	4,800	6,400	8,000
90,000	3,600	5,400	7,200	9,000
100,000	4,000	6,000	8,000	10,000
150,000	6,000	9,000	12,000	15,000
200,000	8,000	12,000	16,000	20,000
250,000	10,000	15,000	20,000	25,000
300,000	12,000	18,000	24,000	30,000
350,000	14,000	21,000	28,000	35,000
400,000	16,000	24,000	32,000	40,000
450,000	18,000	27,000	36,000	45,000
500,000	20,000	30,000	40,000	50,000
550,000	22,000	33,000	44,000	55,000
600,000	24,000	36,000	48,000	60,000
650,000	26,000	39,000	52,000	65,000
700,000	28,000	42,000	56,000	70,000
750,000	30,000	45,000	60,000	75,000
800,000	32,000	48,000	64,000	80,000
850,000	34,000	51,000	68,000	85,000
900,000	36,000	54,000	72,000	90,000
950,000	38,000	57,000	76,000	95,000
1,000,000	40,000	60,000	80,000	100,000

Note: The service charge is for the entire length of the loan, not per month,

Note: VSLFs offer only 6-month or 3-month loans to VSLAs. This keeps things simple and is easy to administer and gives the VSLA time to make good use of the funds.

Table 15: Service charges for 3-month loans from VSLF

Service charge table for 3-month loans				
Amount borrowed	2.0%	3.0%	4.0%	5.0%
20,000	400	600	800	1,000
30,000	600	900	1,200	1,500
40,000	800	1,200	1,600	2,000
50,000	1,000	1,500	2,000	2,500
60,000	1,200	1,800	2,400	3,000
70,000	1,400	2,100	2,800	3,500
80,000	1,600	2,400	3,200	4,000
90,000	1,800	2,700	3,600	4,500
100,000	2,000	3,000	4,000	5,000
150,000	3,000	4,500	6,000	7,500
200,000	4,000	6,000	8,000	10,000
250,000	5,000	7,500	10,000	12,500
300,000	6,000	9,000	12,000	15,000
350,000	7,000	10,500	14,000	17,500
400,000	8,000	12,000	16,000	20,000
450,000	9,000	13,500	18,000	22,500
500,000	10,000	15,000	20,000	25,000
550,000	11,000	16,500	22,000	27,500
600,000	12,000	18,000	24,000	30,000
650,000	13,000	19,500	26,000	32,500
700,000	14,000	21,000	28,000	35,000
750,000	15,000	22,500	30,000	37,500
800,000	16,000	24,000	32,000	40,000
850,000	17,000	25,500	34,000	42,500
900,000	18,000	27,000	36,000	45,000
950,000	19,000	28,500	38,000	47,500
1,000,000	20,000	30,000	40,000	50,000

Annex 6: VSLF loan application form

Date of application: _____

Name of the VSLA: _____

Address of the VSLA: _____

Step 1. Maximum loan based on Savings	
Total stamps owned by the WAG in the Federation	
Value of one share	
Total savings in the Federation	
Multiply total savings by:	3
Maximum loan based on WAG savings	

Step 2: Maximum loan based on previous share-out	
Value of previous share out by the WAG	
Divide total by	2
Maximum loan based on previous WAG share out	

The maximum that can be borrowed is the lower of the two results

Total amount requested as a loan from the VSLF: _____

How many months will the loan run (3 or 6 months): _____

We, the undersigned, declare that this application is agreed to by all the members of our VSLA and that the loan we provide will be invested only in the VSLA's Loan Fund.

Signed (VSLA Chairperson): _____

Name: _____

Signed (VSLA Record-keeper) _____

Name: _____

Signed (VSLA Member): _____

Name: _____

Signed (VSLA Member): _____

Name: _____

Date: _____

Annex 7: VSLF savings withdrawal form

Date of application: _____

Name of the VSLA: _____

Address of the VSLA: _____

Maximum amount of savings that can be withdrawn	
Total stamps owned by the WAG in the Federation	
Value of one share	
Total savings in the Federation	
Multiply total savings by:	%
Maximum amount that can be withdrawn	

Amount of savings withdrawal requested from the VSLF: _____

We, the undersigned, declare that this application is agreed to by all the members of our VSLA and that the withdrawal we receive will be returned to the VSLA's Loan Fund.

Signed (VSLA Chairperson): _____

Name: _____

Signed (VSLA Record-keeper) _____

Name: _____

Signed (VSLA Member): _____

Name: _____

Signed (VSLA Member): _____

Name: _____

Date: _____

Annex 8: Use of Backup record book: supplemental cash, savings, and loan records

Backup records are kept in a notebook and locked in the Cash box between meetings. This is needed because the passbooks go with Representatives to carry back to their VSLAs, so that VSLA members can see that savings were contributed, and loan records are correct.

Because there is a risk that a VSLA Representative may lose or forget their passbook, the Federation Record-keeper keeps records that show:

- total shares bought by each VSLA
- the value of loans outstanding from each VSLA.
- VSLF cash balances

This allows the Record-keeper to reconstruct a VSLA's records in case of loss.

This record book can either be printed out and sold to groups, or groups may choose to buy a counter book and prepare their own.

8.1 Record of shares bought by each VSLA (example)

This page is filled in as a full year's record, covering 13 meetings per year⁸, and are used as a backup record of savings (number of shares purchased), in case of the loss or theft of the VSLF box, or a VSLA's passbook.

Savings balances at end of meeting		Year No.	Share price												
		1	NGN 5,000												
VSLF No.	Shares C/F	No. of shares by meeting number													Totals
		1	2	3	4	5	6	7	8	9	10	11	12	13	
1	0	2	3	4	5	5	5	3	5	5					
2	0	4	4	0	5	0	5	4	5	5					
3	0	2	3	5	0	0	5	0	0	3					
4	0	3	3	5	5	5	5	3	0	5					
5	0	5	4	5	5	5	5	4	5	5					
6	0	5	5	5	1	5	5	5	1	5					
7	0	3	5	5	5	5	5	5	5	5					
8	0	5	5	5	5	4	5	5	5	4					
9	0	4	4	3	0	0	2	1	5	5					
10	0	5	5	5	5	2	5	5	5	2					
Totals	0	38	41	42	36	31	47	35	36	44					

Balances at the end of the year are carried forward to the start of the next year

⁸ 13 meetings are conducted in a year, because VSLFs do not meet monthly, but every 4 weeks

8.2 Record of loans outstanding by each VSLA (example)

These two pages are taken from the balance line in the loan section of each VSLA's passbook. They record the amount that is still owing (Loan balance), but NOT the amount of the loan disbursed. The balance includes the service charge. This is used as a backup record of loan liabilities in case of loss or theft of the VSLF box or a VSLA's passbook.

Loan balances at end of meeting								Year No.
								1
VSLF No.	Balance C/F	Loan balance by meeting number						
		1	2	3	4	5	6	7
1	0	105,000	90,000	90,000	45,000	20,000	20,000	0
2	0							
3	0		105,000	100,000	100,000	50,000	50,000	50,000
4	0							
5	0		167,500	117,500	67,500	0		
6	0							
7	0					210,000	210,000	210,000
8	0					630,000	630,000	530,000
9	0							525,000
10	0			105,000	90,000	80,000	70,000	60,000
Totals	0	105,000	362,500	412,500	302,500	990,000	980,000	1,375,000

VSLF No.	Loan balance by meeting no.					
	8	9	10	11	12	13
1		315,000				
2						
3	0	300,000				
4						
5						
6						
7	200,000	150,000				
8	400,000	200,000				
9	525,000	400,000				
10	30,000	0				
Totals	1,155,000	1,365,000				

Balances at the end of the year are carried forward to the start of the next year

This sheet occupies 2 landscape pages, so as to accommodate large numbers

8.3 Record of cash balances (example)

Cash balances at end of meeting

Year No.

1

Meeting date	Insurance/ Expenses fund	Loan fund
4/1/21	11,000	55,000
1/2/21	22,000	85,400
1/3/21	30,000	12,000
29/3/21	26,000	135,500
26/4/21	37,000	165,000
24/5/21	48,000	203,500

Balances at the end of the year are carried forward to the start of the next year