

# Pack 116, Item

# Type: Backgrounder

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**Backgrounder: Managing Village Savings and Loan Associations safely during COVID-19**

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**Introduction**

***Why is this subject important to listeners?***

Because VSLA members (and organizations working with VSLAs) should know:

* How to support savings groups and their members during the COVID-19 crisis.
* Contingency plans for reaching VSLA members when movement is restricted.
* How to communicate to VSLA members during lockdowns.
* What advice to give VSLA members to help them adapt to the COVID-19 crisis.
* How to use technologies in order to hold remote VSLA meetings.
* How to prevent gender-based violence triggered by lockdowns, movement restrictions, decreased income, and other COVID-related stresses.
* Alternative methods VSLA members can use to make deposits or repay loans.
* How to identify the right persons and mobilizers to coordinate COVID-19 response efforts among VSLA members.

***What are some key facts on safe VSLA management during COVID-19?***

* Due to COVID-19-related problems, VSLAs should find ways to cushion members financially. These include reviewing savings amounts, adjusting loan terms, shortening lending cycles, and minimizing interest rates on loan repayments.
* VSLAs should integrate mobile banking system and e-recording where possible to reduce the risks associated with, respectively, physically handling cash and record keeping during COVID-19.
* VSLAs should ensure that members adhere to COVID-19 government guidelines such as hand washing and social distancing during in-person meetings or hold meetings remotely, through conference calls or online platforms, or by using a “buddy system” to reduce the number of members who attend face-to-face meetings.
* VSLA should empower women to take the lead in COVID-19 responses through sewing and selling masks and soap to earn extra income.
* VSLAs leaders should liaise with governments and organizations to identify new COVID-19-related risks and issues and plan timely and appropriate responses.
* Interventions implemented among VSLA members during the COVID-19 crisis should prioritize issues related to health, livelihoods, nutrition, water, sanitation, hygiene, food security, child protection, and education.
* COVID-19 awareness messages and campaigns from country’s health ministries’ should be disseminated to VSLA members through the media and mobile phones.
* The frequency of VSLA member meetings should be reduced, for example from once a week to once a fortnight or month. Meetings should be short with time allocated only for critical matters.
* VSLA groups can create an emergency COVID-19 fund to cover members who may have emergencies such as medical issues. The fund can be created by minimizing lending so that the emergency COVID-19 fund has money.

*For further information, see documents 5, 7, 8, and 9.*

***What are the big challenges of safe VSLA management during COVID-19?***

* When VSLA members can no longer meet regularly because lockdowns restrict mobility, the long-term survival of the group is at risk.
* VSLA members can become ill from contact with persons infected with COVID-19and spread the virus unknowingly if they are asymptomatic.
* Because of COVID-19, many people are afraid of participating in marketing activities. This results in reduced income for market sellers who belong to VSLAs, and reduced farm productivity and income for members investing in agribusiness, making it difficult for them to pay their group contributions.
* Increased stress due to members’ debts to VSLAs and reduced income.
* VSLA income-generating projects such as basket-making have been restricted by COVID-19 lockdowns since members can’t access weaving materials.
* VSLAs offer not only financial but emotional support to members. With movement restricted by COVID-19, members lack that communal support system and stress levels are increasing.
* Disruption of agricultural trainings and other support services for developing agribusinesses offered during VSLA meetings.
* The disruptions associated with COVID-19 lead to prolonging the VSLA cycle and extending the sharing-out calendar. This delays the achievement of individual social goals that require share-out earnings.
* Face-to-face meetings have been disrupted in rural areas, and members are not making contributions or repaying loans because it is more difficult to hold loanees accountable for repayments without in-person meetings.
* An increasing number of outstanding loans and failures to repay loans.
* Disruption of marketing activities because lockdowns affect the movement of goods sold by VSLA members between geographical regions.
* Lack of opportunity to learn new skills during VSLA gatherings because meetings are cancelled due to lockdowns.

*For further information, see documents 2, 4, 5, 9, and Interview A.*

***Gender aspects of safe VSLA management during COVID-19***

* During the COVID-19 health crisis, women are likely to be the primary caregivers, which makes them more vulnerable to infections than men.
* In patriarchal communities, men are more mobile than women and hence access information more easily than women. In contrast, for many women, VSLA group meetings serve as their main source of vital information.
* Due to lockdowns, movement restrictions, and reduced income, friction between wives and husbands in households is more likely.
* When children are no longer attending school and household members are out of work due to COVID-19, the burden of caring and feeding the household falls disproportionately on women.
* In many sub-Saharan African countries, the majority of VSLA members are women and girls and their livelihoods are hit hardest by COVID-19-related crises.
* Subsistence farming provides the bulk of the income that women invest in VSLAs and SACCOs. Many rural households are increasingly reliant on that income during the COVID-19 crisis.

*For further information, see documents 1, 2, 3, 5, 6, 8, and Interview A.*

***Key information about safe VSLA management during COVID-19***

In sub-Saharan Africa, VSLAs are largely sustained by contributions made through subsistence farming activities. Members earn money by growing and selling crops or other activities in the agricultural value chain. The following are the types of measures VSLAs can adopt to survive the COVID-19 crisis and help their members cope.

**Measures to help VSLA groups and their members adapt to the COVID-19 crisis and survive as groups.**

Here are some measures that VSLA can use to help their members adapt to and minimize the effects of COVID-19, and also help the groups survive.

* Make loan repayments flexible by prolonging the repayment period.
* Adjust savings amounts to ensure that all members have the incentive to save.
* Lower the interest rate charged on member loans.
* Avoid giving large loans to members; loan smaller amounts.
* VSLAs with large unpaid loans should halt further loan applications and implement flexible loan repayment strategies.
* During meetings, provide VSLA members with business development support by offering training on financial literacy, business planning, and marketing. This will help them invest their loans in viable enterprises like producing high-value crops or supplying agricultural inputs. Financial literacy will also ensure that members don’t use emergency funds given during the COVID-19 crisis to pay school fees, but instead invest it.
* During the COVID-19 crisis, VSLAs should digitize transactions by using mobile money to receive and repay loans, helping to minimize the need for physical meetings.
* As mobile technologies are adopted by VSLAs, ensure that members understand that such technologies should not substitute for physical meetings when such meetings are safe and allowed.
* Train members to identify and diversify into new income-generating activities to help them continue making regular contributions to VSLA groups.

***For organizations working with VSLAs***

* During the COVID-19 crisis, organizations can support VSLAs to maintain business-to-business relationships with market actors to ensure that VSLAs continue to benefit from products and services, for example, technical advice, inputs, markets, and financial services (deposits, insurance, payments, etc.)
* To help VSLAs survive the COVID-19 crisis, organizations can help members devise a plan to continue until the crisis is over.
* Organizations can use media and mobile technology to spread gender-sensitive awareness messages and campaigns related to the COVID-19 crisis to VSLA members—for example on preventing gender-based violence and on how and where women can access sexual and reproductive health and counseling services during the COVID-19 crisis.
* The organization can use media, mobile technology, and small group meetings to pass along technical VSLA crisis management content (e.g., cash management, default management, operation procedure review, COVID-19 prevention measures) to VSLAs.
* Organizations, governments, and NGOs can provide free soap or detergent to VSLA members, as use of these resources has increased and strained household finances.

***Emergency COVID-19 fund***

Organizations working with VSLAs can create a COVID-19 emergency fund to cover medical emergencies among members. The fund can be created by limiting lending to members so that any funds available are earmarked towards covering members’ emergencies.

***New opportunities***

While COVID-19 interrupted various agricultural value chains, it also presented marketing opportunities and created new business models.

* In Kenyan counties bordering Uganda, locals were able to sell more eggs because cheaper eggs weren’t exported across the border. VSLA members who are well-trained in business can spot such opportunities. VSLAs can also start new income-generating activities like sewing and selling masks and homemade soaps to ensure they survive.
* In response to consumers avoiding traditional markets because of the risk of contracting COVID-19, farmers can generate new income-earning activities like baking and selling products within their communities. They can also adopt new marketing methods like selling their farm produce from their homes, making home deliveries to customers, and conduct mobile money transactions.

*For further information, see documents* *1, 5, 7, 9, and Interview A.*

***Safety measures***

Besides wearing masks, the following safety precautions should be adopted during VSLA meetings during the COVID-19 crisis:

* *Buddy system:* To ensure social distancing and limit the number of people at a VSLA meeting, a member can attend on behalf of another member. This ensures that meetings are not crowded, which could cause rapid spread of COVID-19.
* *Meetings:* If possible, hold VSLA meetings in large venues where 1.5-2 metres social distancing can be enforced by members. Chairs should be used as it’s easier to space them than benches.
* *Hygiene:* Place handwashing facilities with soap and water at entry and exit points where VSLA member meetings are held. Members should be encouraged to wash their hands, and those counting money supplied with gloves. All members should wear face masks throughout the session.
* *High risk members:* VSLA members at an advanced age, with compromised immune systems, who are pregnant, or who have pre-existing medical conditions, should not attend meetings. Children also should not be brought to meetings.
* *Limit touches:* Members attending VSLA meetings should not shake hands or touch surfaces and only a few authorized members should handle cashboxes and record books.
* *Household relationships:* Due to COVID-19, gender-based violence (GBV) is likely to increase in households because of financial stress and lockdowns. VSLAs should encourage members to report incidences of GBV to community leaders so that solutions can be found, to prevent further escalation, and where necessary for safety, and find alternative living arrangements or pursue legal means.
* *Central cash points:* Place bowls at a central point during VSLA meetings, with an improvised perimeter around them. Members can deposit their money in the bowls, first announcing how much they are depositing and showing it to other members. They can also take change from the bowl as necessary. Only one person at a time is allowed within the perimeter. And all members contribute, one person counts the money and announces the total. This procedure minimizes person-to-person transmission of COVID-19 and replaces the conventional money counter.
* *Mobile money:* For VSLAs with bank accounts, members should be encouraged to deposit loans and savings through mobile phones and bring transaction SMSs to the meeting to update records. This will reduce physical cash handling.

***Community-based trainers***

In communities with VSLAs, governments can appoint trainers to sensitize communities on adapting to COVID-19 and preventing the virus from spreading. These trainers can serve VSLAs as follows:

* Spread up-to-date COVID-19-related health messages from the ministry of health to group members.
* Work with VSLA group leaders to develop COVID-19 adaptation and response plans.
* Pass along information about technical crisis management to VSLAs during small group trainings and monitoring visits.
* Community-based trainers and VSLA leaders should create a monitoring and feedback system (for example, through mobile messaging) to report on and prevent gender-based violence among VSLA members.
* Establish feedback mechanisms that VSLAs and members can use when issues related to COVID-19 arise, including in households. These can include emergency sicknesses or occurrences such as households needing money urgently to buy food supplies.
* Teach select VSLAs members to use smartphones to conduct VSLA virtual meetings. One smartphone could be given to trained members in one local area, and after virtual meetings are held, they could call others with basic phones to pass on the information discussed in meetings.

***Safeguarding member contributions***

Since face-to-face member meetings are infrequent, VSLAs should plan how their saved funds can be protected from being stolen during the COVID-19crisis. Treasurers should be empowered to hold funds until the crisis is over or deposit the money in bank or mobile accounts with several signatories.

*For further information, see documents 1, 4, 5, 8, and Interview A.*

***Where can I find other resources on this topic?***

*Documents*

1. ACDI/VOCA, 2020. *Gender and Social Inclusion and COVID-19: Impacts and Recommendations for Agriculture and Market Systems Project Implementation.* <https://www.acdivoca.org/wp-content/uploads/2020/04/AV-Group-GSI-and-COVID-Recommendations.pdf> (862 KB)
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3. CARE International, 2020. *Implications of the COVID-19 Pandemic on Women’s and Girls’ Economic Justice and Rights.* <https://www.care-international.org/files/files/CARE_Implications_of_COVID-19_on_WEE_300420.pdf> (937 KB)
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5. CARE USA, 2020. *Savings Group Risk Mitigation, Support, and Engagement in Relation to COVID-19.* <https://www.care.org/wp-content/uploads/2020/05/care_covid-19_savings_group_guidance.pdf> (194 KB)
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8. SEEP Network, 2020. *Savings Groups in the Age of COVID.* <https://seepnetwork.org/files/galleries/Savings_Groups_in_the_Age_of_COVID_QA.pdf> (291 KB)
9. SEEP Network, undated. *Savings Groups and COVID-19.* <https://bettercarenetwork.org/sites/default/files/2020-04/SEEP_Savings-Groups-and-COVID19_20200329_FINAL.pdf> (208 KB)

**Interviews:**

1. Vincent Orwa Alila, LACOMP Company Limited

## Acknowledgements

Contributed by: James Karuga, Agricultural journalist, Kenya

Reviewed by: Vincent Orwa Alila, LACOMP Company Limited