



CRISIS-ADAPTED VSLA

Group Investment Activity Standard Operating Procedure

This is a companion document to [A Guide to CARE's Crisis-Adapted VSLA](#).

Use this SOP to help CA-VSLA participants design and implement group investment activities, and to make and monitor seed grants. Within this SOP, find introductions and links to all sub-tools for group investment activities:

- [Readiness Assessment](#)
- [Ideation Form](#)
- [Business Plan and Seed Grant Application](#)
- [Local Supplier Directory Template](#)
- [Investment Ledger](#)
- [Investment Coaching Guide](#)
- [Field Visit and Progress Report](#)
- [Mid-Term Business Evaluation Form](#)



01 Introduction

This standard operating procedure (SOP) outlines the steps for making **seed grants**, and designing and implementing a Crisis-Adapted VSLA **group investment activity**, within Element #4 of the Crisis-Adapted VSLA methodology. It includes capacity-building measures to equip participants with the skills and knowledge they need, and highlights the vital role of continuous monitoring and evaluation. It respects Sharia law, and emphasizes reinvestment of profits into the Crisis-Adapted VSLA cash box.

In sum, the purpose of this SOP is to ensure that Crisis-Adapted VSLA group investment activities are supported sustainably in crisis-affected settings, avoiding harmful competition and promoting community cohesion through collective financial empowerment.

02 Objective of the Crisis-Adapted VSLA Group Investment Activity

The objective of the group investment activity is to promote economic growth through collective investment in a shared business. The Crisis-Adapted VSLA project ensures fairness in the distribution of seed grants to groups, and fosters cooperation within and between them. Each group will grow its financial base by reinvesting profits from the group investment activity into the cash box or the activity itself, and is encouraged to use a portion of members' savings to supplement CARE's seed grant to the group investment activity, thereby creating shared stakes in the investment while maintaining financial security and prudent decision-making.

The group investment activity not only strengthens each group's financial foundation but has a direct impact on individual members' lives. Members gain access to resources and opportunities that they might not achieve on their own. Reinvestment of profits enables individuals to build personal financial security, improve their livelihoods, and support their families. Moreover, the collaborative nature of the group fosters skills development, strengthens social cohesion, and instills a sense of confidence, ultimately enhancing members' capacity to withstand future economic challenges.

03 Key Principles

- 1. Seed Grant Distribution:** All Crisis-Adapted VSLA groups in the same community will receive seed grants. CARE does not require competitive selection, to prevent conflict and promote fairness and community cohesion. Our pilot experiences clearly show that introducing competition by making seed grants conditional on the best or most viable business proposals leads to significant conflict and resentment between groups: competition damages social cohesion and can undermine the project's overall success.
- 2. Group Contribution Requirement to Match Seed Grant:** To ensure sustained commitment and collective ownership, each group will match or supplement CARE's seed grant with cash

or in-kind contributions. By contributing their own resources, group members demonstrate their stake in the investment and increase the shared responsibility for its success. This active financial and material involvement creates a sense of shared risk and reward, aligning each member's interests with the growth and stability of the group investment.

- 3. Profit Reinvestment:** Profits generated from group investments will be reinvested into the group's cash box to enhance financial capacity and ensure more members have access to loans. Alternatively, upon transparent accounting, discussion, and group decision, a portion of profits may be reinvested back into the group investment activity itself.

04 Roles and Responsibilities



Crisis-Adapted VSLA Project Coordinator:

Oversees overall project implementation, ensuring adherence to equality, sustainability, and Sharia compliance.



Field Supervisors: Conduct assessments, provide coaching and technical guidance, and monitor the progress of group investments.



CBTs: Lead basic financial training, ensure Sharia-compliant practices, offer accompaniment in the form of coaching and mentoring (with Field Supervisors and CO Livelihoods staff, where available).



Group Investment Management Committee (GIMC):

Oversees and drives the success of the group investment activity. They handle daily operations, track finances, reinvest profits into the cash box, and promote products or services to boost sales. The GIMC ensures transparency, addresses challenges, and fosters group accountability, maximizing the investment's impact.



Group Members: Actively participate in decision-making, contribute savings, and engage in the business operations.

05 Design Phase

5.1 READINESS ASSESSMENT

The Group Readiness Assessment will help evaluate each group's financial management skills, business acumen, and capacity for collaboration. It will identify any potential challenges or gaps, and provide targeted support and guidance to address them. The assessment should cover the following:

- Group maturity and financial stability (completion of at least one savings cycle).
- Group dynamics and cohesiveness.
- Group willingness and readiness to engage in collective business ventures.



Tools Required:

- Readiness Assessment



5.2 GROUP INVESTMENT ACTIVITY IDEATION AND SELECTION

Facilitate a participatory brainstorming (ideation) session where the group proposes viable business ideas. The selection process must consider:

- **Business potential and viability**
- **Local Market Conditions:** The business should address community needs and fit within the local economic landscape.
- **Sharia Compliance:** Avoid businesses involving interest, gambling, or haram activities. See also [Crisis-Adapted VSLA Sharia Compliance](#).
- **Manageable Investment Risk:** Focus on ventures with low risk and manageable capital requirements to protect group savings.

- **Group Member Experience:** The business idea should reflect the skills and capabilities of the group members (such as handicrafts, agriculture, or small-scale business operations).

In CARE's experience with Crisis-Adapted VSLA, a group typically brainstorms two to three business ideas: it is then the responsibility of project staff to guide the group towards one idea that aligns with members' capacity and expertise, and that presents minimal risk of failure. The Group Investment Activity Ideation Form is then filled to reflect the selected idea.



Tools Required:

- [Ideation Form](#)

5.3 FEASIBILITY STUDY

Conduct a feasibility study for the selected business idea to ensure its viability and sustainability. The study should include:

- Market demand analysis.
- Cost of raw materials and operating costs.
- Profit margin estimation.
- Risk factors and mitigation strategies.



Tools Required:

- [Ideation Form](#)
- [Local Supplier Directory Template](#)

06 Planning Phase

6.1 BUSINESS PLAN DEVELOPMENT

Having guided each group to select a low-risk group investment activity, Field Supervisors (in collaboration with CARE Livelihoods staff if available) will draft a basic business plan and budget for each group. These will serve as roadmaps for the implementation of the chosen business ventures. Each plan includes:

- Business objectives and expected outcomes.
- Marketing strategy to target local customers.

- Financial plan including cost estimates, profit projections, and break-even analysis.
- Risk management plan to address potential challenges.



Tools Required:

- Business Plan and Seed Grant Application

6.2 BUDGET PREPARATION

The Field Supervisor in collaboration with CARE Livelihoods staff prepares a detailed budget that covers:

- Start-up costs for the business, including equipment, raw materials, marketing, etc.
- Monthly operational costs (rent, utilities, wages, etc.).
- Group contributions and the required seed grant amount .

6.3 SEED GRANT APPLICATION

Each group will submit a Seed Grant Application to request funding.



Tools Required:

- Business Plan and Seed Grant Application



Tools Required:

- Budgeting Tool (in Business Plan and Seed Grant Application)

07 Implementation Phase

7.1 CALCULATE SEED GRANT AMOUNTS

When determining the appropriate transfer amount for seed grants, two methods may be considered: Minimum Expenditure Basket (MEB)-Based Calculation, and Percentage of the Total Group Investment Cost. While both methods are valid, the MEB-Based Calculation is typically preferred by donors due to its clear, data-supported rationale: its use may result in smoother approval from funders.

1. MEB-Based Calculation:

The **MEB** is a country-specific metric that reflects the minimum number of resources required for a household to meet its basic needs within a specific period. CARE sets the seed grant amount as a percentage (typically, 80 percent) of the MEB.

Example 1: Where the CO works, the MEB is \$200 per person. CARE calculates the seed grant as follows:



80% of \$200 = \$160
VSLA Group X has 20 members
 $\$160 \times 20 = \text{a seed grant of } \$3,200$

Example 2: Where the CO works, the MEB is \$325 per person. CARE calculates the seed grant as follows:



80% of \$325 = \$260
VSLA Group Y has 19 members
 $\$260 \times 19 = \text{a seed grant of } \$4,940$

Donors generally prefer this method, as it ties directly to an established economic indicator, making the financial reasoning behind the grant more transparent and aligned with the local cost of living.

2. Percentage of the Total Group Investment Cost:

Alternatively, the CO can calculate the seed grant amount as a percentage of the total cost of a group's proposed investment activity. This allows flexibility by basing the seed grant on the specific financial needs of the group, with CARE contributing a portion of the total investment and the group covering the rest.

Example 1: A Crisis-Adapted VSLA group's proposed investment activity requires \$800 in capital.



CO chooses to cover **70%** or \$560
Group contributes the remaining **30%** or \$240

This method allows for customization based on project needs and groups' reasonably available funds, but **donors may require additional justification**, as the calculation is not tied to a standardized metric like the MEB.

Group Contribution for Seed Grant Matching:

To fulfill the group contribution requirement for seed grant matching, members collectively finance any remaining start-up costs needed for the investment. This can be done by drawing from their existing cash box funds or through in-kind contributions that add direct value to the business, such as providing essential goods like land, tools, or facilities. Members may also contribute services such as labor or expertise to reduce initial costs and establish shared ownership. This contribution reinforces the group's commitment and strengthens members' stake in the project's success.

7.2 SEED GRANT DISBURSEMENT

Upon approval, CARE will disburse seed grants to each group.

Disbursement Timing

Disburse funds in two installments: a phased approach ensures the efficient use of funds while minimizing the likelihood of mismanagement. The first installment must be triggered by predetermined (in the business plans) activities required to kickstart the group investment activity. The second installment will be disbursed after confirming that the activities planned for the first installment are completed. Timely monitoring of the first installment is vital to facilitate the prompt disbursement of the second installment.

Existing Disbursement Mechanisms

Always disburse funds using the mechanism established by the CO's CVA team. They have already completed complex negotiations, defined terms of service, and spent considerable time and effort to make agreements with vetted financial service providers. By using the established infrastructure, including pre-negotiated terms such as fees and delivery structures, Crisis-Adapted VSLA staff will save time and energy, strengthen collaboration with the CVA team, and ensure the swift and effective distribution of cash.

*We cannot overstate the importance of **not** creating a new disbursement mechanism for cash injections.*

7.3 GROUP INVESTMENT ACTIVITY LAUNCH

The group will use the seed grant and their contributions to start the investment activity according to the plan it created. Field Officers and CBTs will provide technical support and guidance to ensure smooth operations.

7.4 GROUP INVESTMENT MANAGEMENT COMMITTEE

Each Crisis-Adapted VSLA group that launches a group investment activity will elect a management committee to oversee the business venture. The four members of the Group Investment Management Committee (GIMC) will be different individuals from the five-member Crisis-Adapted VSLA Management Committee.

Treasurer

- Manages the financial aspects, including tracking income, expenses, and profits from the investment. Ensures transparent financial reporting to the GIMC and the group.

- Maintains accurate records of meetings, decisions, and operational updates. Provides regular reports to group members on investment progress and performance.

Operations Coordinator

- Oversees daily business operations, coordinates production or service delivery, and monitors inventory and resources, ensuring efficiency and quality.

Sales Promoters (2)

- Develop marketing strategies, identify customer needs, and promote the group's products or services to increase sales and reach.

The GIMC is responsible for managing day-to-day operations of the IGA, making key decisions, and ensuring that the business runs smoothly. They report on progress during every Crisis-Adapted VSLA meeting, including profits, losses, and other

financial details. Additionally, the GIMC integrates these financial results into the group's regular financial records, fostering transparency and accountability while helping to maintain group cohesion and trust.

7.5 RECORD-KEEPING

The Crisis-Adapted VSLA Investment Ledger tracks financial transactions, ensuring accuracy and transparency in financial reporting, and providing insights into the financial position and performance of the group investment activity. The GIMC Treasurer maintains the ledger, with coaching from the CBT. The major components and functions of the Ledger are:

- 1. Ledger:** The simple ledger includes records of all money received (income) and all money spent (expenses). The ledger is typically organized with **columns** for the date of each transaction, a description of what the transaction was for (e.g., sales, purchase of supplies), the amount of money received or spent, and the remaining balance, which shows how much money the group has left after each transaction. This helps the group keep an accurate account of their business activities and monitor their financial health over time.
- 2. Journal Entries:** Each journal entry is a row in the ledger that describes one financial transaction. It includes the date of the transaction, a brief description of what the transaction was (e.g., buying supplies, receiving income from sales),



and the amount of money involved. The journal entry shows both sides of the transaction: where the money came from (credited) and where it went (debited). For example, if the group buys supplies for the business, the journal entry would record the expense (debit) and the reduction in cash (credit). This helps the group keep track of every financial activity in a detailed and organized manner.



Tools Required:

- Investment Ledger

7.6 TRAIN, COACH, MENTOR

It is important to offer basic financial management training, covering fundamental concepts such as financial goals for the group investment, budgeting, business planning, investing, keeping financial records, and debt management.

Typically, the CO's Livelihoods Team possesses a basic financial training curriculum and staff who can deliver the training. Alternatively, the [Selection, Planning and Management of Income-Generating Activities guide](#) can be adapted to suit context, and delivered to Crisis-Adapted VSLA groups. The CO may also wish to provide (and must allocate budget for) additional, related trainings such as in trade-specific skills.

The timeline for offering the training is somewhat flexible—it can take place at any time prior to the cash injection, including near the end of the first savings cycle.

After the seed grant is disbursed, CBTs with backup assistance from Field Officers (and CO Livelihoods staff if available) will train groups to use the ledger, and will make routine visits to coach, mentor, and verify that groups are following practices outlined in the Investment Coaching Guide.



Tools Required:

- [Investment Coaching Guide](#)

7.7 PROFIT REINVESTMENT

Reinvesting profits from the group investment activity into the cash box is important, particularly in crisis settings where saving capacity is low. This is true regardless of religious context: it is a Sharia-compliant practice.

By channeling profits back into the cash box, the Crisis-Adapted VSLA group increases available capital without relying (solely or at all) on interest, enabling more members to access loans. This strategy not only solves the challenge of low saving capacity, it promotes financial growth.

Alternatively, with guidance from CBT or Field Supervisor, and after transparent discussion among all members, a group may choose to reinvest some profits back into their investment activity. (This too is valid in all religious contexts: it is Sharia compliant.)

- Profits generated from the group investment will be reinvested monthly or quarterly.

Note that a transfer of profits to the group's cash box, or a reinvestment of profits into the group investment activity, should be recorded as a journal entry.

08 Monitoring and Evaluation

Regular monitoring and evaluation of each Crisis-Adapted VSLA's group investment activity is vital for success and sustainability. By consistently tracking progress, CARE can assess the effectiveness of investments, identify areas for

improvement, and ensure that financial goals are met. Monitoring also allows staff to spot challenges early, allowing for timely interventions to prevent potential setbacks. Through ongoing evaluation, staff can measure the impact of group investments, ensuring that the benefits are equally distributed among members while promoting long-term financial stability for the group.

8.1 TRACK SEED GRANT DISBURSEMENTS VIA THE PDM

PDM of seed grants ensures that groups use disbursements according to their planned activities to establish and manage their group investment activities effectively. By tracking how funds are allocated, PDM helps identify barriers to implementation, provides early insights into the functionality of group projects, and supports

smooth operations. This process not only ensures accountability and alignment with project goals but also allows for timely interventions to address challenges, fostering the success of group investments and strengthening the overall impact of CA-VSLA.

8.2 REGULAR FIELD VISITS

Field Officers will conduct field visits every two months to monitor business performance, group dynamics, and financial record-keeping. The visits should assess:

- Profitability and reinvestment practices.
- Group cohesion and conflict resolution.
- Adherence to Sharia-compliant principles.



Tools Required:

- Field Visit and Progress Report

8.3 MID-TERM EVALUATION

After six months, conduct a formal evaluation to assess each business's success and challenges. The evaluation should focus on:

- Financial performance and profitability.
- Impact on group savings and access to loans.
- Lessons learned and potential for scaling.



Tools Required:

- Mid-Term Business Evaluation

09 Risk Management

Implement a risk management strategy to spot and take appropriate action on:

- Market fluctuations.
- Internal group conflicts.
- Economic instability in crisis settings.

Ensure that each group has a risk mitigation plan (drawing from and building upon the plan described in the Business Plan and Seed Grant Application) in place to manage these issues without compromising financial stability.