Volume 2

AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT

(AFARD)

Plot 3, JOKA Building, Anyiri Rd., P.O. Box 80, Nebbi, Uganda.

Group Savings & Credit Mobilisation and Management Facilitators' Training Manual.

Prepared by:

Alfred LAKWO, Wilfred CWINYAAI, Sam OROCHI ORACH

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Finally, the views herein are those of the authors and do not represent the position of ETWA and AFARD. The authors take full responsibility for any error in the work.

Alfred LAKWO
Programme Assistant (Training and Research)/AFARD.
January 2003

Unit

1

GENERAL INTRODUCTION

The objective of the training is to **improve on the savings mobilization skills and the savings and credit management skills among AFARD's partner groups involved in informal Microfinance activities**. It is expected that by the end of the training groups are able and proficient in the following areas:

1. Savings mobilisation: identifying sustainable ways of raising seed fund and add-on funds for the profitable running of group's savings and credit schemes

2. Setting conditions for credit: loan size, loan period, repayment schedules, interest rates, *penalties for late repayment, etc*

3. Laying down loan procedures: *Lending processing and documentation with formats for application, guaranteeing, approval, agreement and records*

4. *Overall savings and credit scheme management: Setting up of loan committees, formulation of policies and strategies, etc*

The Overview of the microfinance environment in Nebbi District

The microfinance institutions (MFIs) operational in Nebbi district are: Foundation for International Community Assistance (FINCA-Uganda), Centenary Rural Development Bank (CERUDEB), Commercial Micro Finance Limited, (PRUDEPMA), Community Empowerment for Rural Development (CEFORD), and the Village Banks of Goli, Nyaravur and Pakwach. These MFIs are few in number, urban based, thus inaccessible to the majority of the people, yet the population of the district is 92% rural. They prefer to deal with groups even where there was none. Such groups do not develop organic bondage requisite for sustainability. Credit is tied to savings, which savings do not fetch any interest (zero interest-bearing account) and act as collaterals[1]

[1] See Ministry of Finance, Planning, and Economic Development and UNDP, Draft Report on the DREPs Survey: Vol. 1 Household Micro-Finance Survey (Main Report) and Vol. 2 Institutional Data Report, (Kampala, April 2000). This report indicates that in Uganda, there are 99 credit institutions other than banks with different scope, coverage and focus with low internally generated savings, high recovery rate, providing services to 53% of the population (30% urban and 70% rural at a ratio of operation of 26%: 74% rural and 47%: 53% urban components of formal and informal institutions, obliging 54% of the people to operate bank accounts)

Furthermore, the MFIs are interested in profit. They do not offer business management and other complementary skills to people thus leading to failure to generate profit and repay loans with ease. There are stories of people who had to sell their land, and/or borrow from other MFIs, to repay loans. Without complementary organizational, management and technical skills the groups cannot grow to become strong and self-reliant.

MFIs do not support all activities borrowers come up with. For instance, CERUDEB and FINCA do not support crop production because of the risks involved and CARITAS does not give credit for retail drug shops because (being a Catholic organisation) they wouldn't want their money used for buying pills and condoms. Thus people "cook" eligible projects but upon getting the loan, use the money for activities of their choice.

As a response, some groups have started their own group-owned savings and credit schemes so as to capitalize their members' income generating activities. Noticeable is that the group savings and credit schemes suffer from:

- Low capital base because members savings are irregular and in small amounts.
- The weak operational guidelines where records, procedures, and other operational guidelines are *ad hoc*.

These limitations prompted AFARD with the support of Gorta-Ireland to set up a fairer scheme called AFARD Microfinance Initiative (AMI). The new elements within the scheme are: involvement of the people in setting the conditions for the loan, skills and management training as part and parcel of the credit system and the promotion of savings by the group.[2]

This manual, therefore, sets out the basic training guidelines all groups involved in the AMI should undergo.

ABOUT THIS MANUAL

This manual focusses on group savings and credit scheme management. It targets savings mobilisation and credit management. It is developed in line with the current understanding of capacity development in AFARD on the one hand and according to the thematic strategies of AFARD's 3-year plan on the other. The manual is, therefore, a guide for facilitators during their work with the CBOs in line with the overall capacity building effort of AFARD.

[2] For details on groups scheme operational characteristics see Vol.4 of the manual – Group Savings and Credit Scheme Operational Guidelines.

The manual is organized in a number of units. Unit 1 provides a general brief to the facilitator. The assumption is that for groups without a savings and credit scheme, the reasons for starting one should be clear. Even for those with operational schemes, clarification and recommitment to the goals of the schemes may be necessary.

Unit 2 handles the why and how of savings mobilisation and management.

Unit 3 deals with loan management: application, assessment, disbursement, and recovery and supervision.

Unit 4 deals with operational guidelines: its contents and basic requisite form filling and records management.

Key training topics are arranged as follows:

Training Themes	Key Focus	Sub Topics
Savings mobilisation	< The wider concept of resource mobilisation < Mobilizing savings for the group scheme < Savings records	< Group savings and credit schemes < Savings mobilisation < Savings management
Loan Management	< Procedures for getting loans < Records involved < Management of defaults	< Group loans < Loan application and assessment < Loan approval and disbursement < Loan recovery and supervision
Operational guidelines	< Loan policies and conditions < Growth and sustainability	< Content of guidelines < Form filling and records keeping

Training Timetable

Day	Key topics	Estimated time
1	< Introduction of participants	30 mins
	< Participants' Expectations and Fears	25 mins
	< Introduction to the training	20 mins
	< Savings mobilisation	
	o Group savings and credit scheme	50 mins
2	o Savings mobilisation	2 hrs
3	o Savings management	2 hrs
4	< Loan Management	
	o Group loans	50 mins
	o Loan application and assessment	35 mins
	o Loan approval and disbursement	25 mins
	o Loan recovery and supervision	20 mins
5&6	< Operational Guidelines	
5	o Guideline contents and context	2.30 hrs
6	o Form filling and records keeping	2.00 hrs

INTRODUCTION OF PARTICIPANTS

The facilitator should start by introducing her/himself.

The objective of this session is that by the end of session:

- The members would have known and got acquainted with each other.
- The "ice" would have been broken down in order to pave way for the participation of everybody.

Methods: The raffle game

Time: Up to 30 minutes depending on group size.

Procedure:

1. Count the total number of participants.
2. Cut small pieces of paper to the total present.
3. Write done in pairs either using numerical, alphabetical, or alphanumerical on the pieces of paper.
4. Fold and put the pieces of paper in a box.
5. Let each participants pick one piece of paper.
6. Pair up every participant who have similar numbers or letter.
7. Let each pair introduce the partner by saying the name, likes and dislikes.

Facilitators' note:

In case the number of participants is odd pair up with the last one. Alternatively, if the participant is confident enough let the participant introduce her/himself.

Facilitators' Remarks

PARTICIPANTS EXPECTATIONS AND FEARS

This session is aimed at putting the participants within the training context. As per the training organisation, it is therefore important to listen to the participants' baggage to the session.

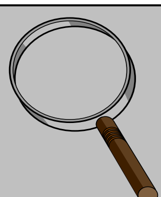
Objective: At the end of the session, participants would be able to come up with their expectations from and fear of the training for the organizer to note, clarify and adjust, if need be.

Time: At most 25 minutes depending on the group size.

Methods: Question and answer

Procedure:

1. Ask the participant to give their expectations and fears as per the training invitation they got.
2. List down on a flip chart all the stated cases
3. Clarify on each of the issues raised.



Facilitators' Remarks

INTRODUCTION TO THE TRAINING

Objective: At the end of the session, participants' expectations and fears would have been harmonized with the training objectives.

Time: 20 minutes

Method:

1. Visual aid
2. Lecturette.

Procedure

a) Display on a flip chart the training objective(s) of the day.

b) Display the training topics prepared.

c) Clarify on the methods to be used.

d) Point to the expectations raised and tick all that rhyme with the training objectives.

e) Boldly but in a soft manner point at the limitations of the training.

f) Allow questions to be asked and clarify.

g) Finally, make administrative announcements, if any.

Facilitators' Remarks

Unit

2

SAVINGS MOBILISATION

Session Objective	At the end of the session members are able to: < Appreciate their savings and credit schemes. < Adopt better methods for savings mobilisation
Topic	What are savings and credit schemes? Why savings? How to mobilize savings Records keeping
Methods	Brainstorming Question and answer Group work
Materials	Flip charts, Marker pens, Masking tape, manila cards

TOPIC 1: GROUP SAVINGS AND CREDIT SCHEMES

In Nebbi district there are a number of the CBOs with Rotational Saving and Credit (ROSCA) as part of the major activities they are engaged in. Here members pool money and give to one members to trade with for a period of time. Next time it is the turn of another member. However purely ROSCA groups are few since most of them transcend into accumulating savings and credit schemes. Here savings remain with the group and any member can come and borrow anytime.

The groups involved in both types of schemes are mutual trust associations with the overall objective of collective livelihood risk management – social insurance. They collect cash (subscription) on a regular basis – weekly, monthly etc, - monetary and non-monetary incomes from their members and the total amount that has been gathered is given out as loans. The members formulate their savings and credit operational guidelines on savings mobilization, lending criteria, interest rates, custody, and penalties, among others.

Generally savings and credit schemes have four main functions:

- The **mutual** function, which enables its members to cope with major unforeseen expenses (e.g. illness, death) to cover financial needs and to provide moral assistance to a person in difficulty.
- The **savings** function by acting as a savings bank.
- The **credit** function for members and non-members by lending money at preferential rates.
- The **investment** function by investing in the social domain e.g. livestock, build hall for hire etc.

WHY SAVINGS AND CREDIT SCHEMES

STEP 1: QUESTION AND ANSWERS

a) **What is the history of the savings and credit scheme of the group.**

b) **Why do groups start these schemes?**

Some of the objectives for starting the schemes could be as follows:

- Create a potential solidarity funds for lending to members i.e. capital reserve fund or start-up capital for individual enterprise establishment and growth.
- Generate income for the group through the interest on loans.
- Facilitate social solidarity among the members.
- Build collective security for their funds.
- Build their initial saving ability and size from the meager individual income basing on regular savings.
- Build financial discipline among members so as to increase their eligibility to save and invest in their household and group activities.

- Prepare members for future dealings with external organizations that now have strict rules on access to their credit facilities.

STEP 2:

QUESTIONS

What do the group see as the importance of the scheme to:

- < **The group itself?**
- < **The group members themselves?**
- < **To the community?**

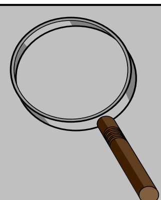
Savings is the engine behind development; whether in the local, national, global, or international level, savings are a key to financing development. Savings make it possible to invest. Since investments boast production that in turn generates income, if this income is well utilized, a better way of life results, i.e. development is realized. Mobilizing savings is, therefore, as important as accessing credit for poor entrepreneurs, in view of the mutual profits to be gained by both the institution and the individual.

❖ ***The importance of savings to the group:***

- ➢ They are a potential source of funds for lending;
- ➢ They provide cash guarantees for the loans;
- ➢ They generate income through interest;
- ➢ They are a means of establishing loan eligibility of clients (through statements);
- ➢ They strengthen relationship with the clients; and
- ➢ They provide means of associating the client with the banking system.

❖ ***The importance of savings for group members:***

- They provide a source of funds to establish the capital needed for expanding the enterprise;
- They provide a source of guarantee for the loans;
- They generate income from the interest;
- They build financial discipline and encourage long-term planning;
- They educate and prepare for dealing with banks, and provide access to the banking sector; and
- The group safeguards the money.
- Necessary for long-term sustainability



Facilitators' Remarks

TOPIC 2: SAVINGS MOBILISATION

QUESTION:

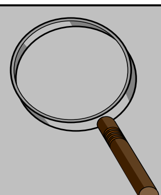
How does the group mobilize its savings from members?

Different groups use different methods to mobilize savings for their loan funds. The most common ones are:

- Subscription and membership fees for group membership.
- Periodic subscription to the loan fund account.
- Imposed penalties and fines.
- Direct involvement in income generating activities.
- Sales of labour on a fee-for-service basis.
- Direct individual savings.
- Levies on loan application forms.
- Periodic charges.

However, effective savings mobilization requires clear principles related to:

- Safety (without risk of theft); for instance when non-members take a loan for a an interest
- Yield (interest that should be provided monthly);
- Liquidity (easily accessible at will and whether one ceases to be a member or not);
- Convenience (within reach without any huddle and risks); and
- Reciprocity (i.e., entitlement to loan although one can save without taking a loan).



Facilitators' Remarks

TOPIC 3: SAVINGS MANAGEMENT

Because every member is saving individually into the common pool both for the group and or for her/himself, there is need to have clear records for the savings. A clear savings record keeps members informed of who is under-performing, how much more effort is required, and also how well the transactions are taking place without suspicion of mismanagement.

GROUP WORK

Question:

1.What record(s) (a) does (b) should the group keep for the scheme?

2.Who keeps the record(s)?

3.How well is the record(s) kept?

4.To what uses are the record(s) put?

5.What gaps are identified for correction?

The facilitator should dwell on the statement of account after the plenary.

STATEMENT OF SAVINGS ACCOUNT

____

(Name of Group)

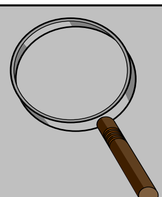
Name of Account holder ______________________________

Date	Particulars	Deposit	Withdrawals	Balance	Initials	Signature of Account holder

Specimen signature of account holder ………………….…………………
Name and Signature of Loan Committee Treasurer …………………………..……

The statement of savings account is signed in duplicates – the original copy remains with the group treasurer and the duplicate copy is for the member.

The treasurer should keep another book: Summary Statement for the whole group members separately. This should be updated monthly or quarterly as agreed upon by members.



Facilitators' Remarks

Unit
3

LOAN MANAGEMENT

Session Objective	At the end of the session members are able to: < Understand the need for effective loan management < Advocate for their group establishment of sound loan management systems
Topic	< What is a loan < The loan process: o Loan application and assessment o Loan approval and disbursement o Loan recovery
Methods	Brainstorming Question and answer Group work Role play
Materials	Flip charts, Marker pens, Masking tape, manila cards

Topic 1: GROUP LOANS

QUESTION FOR BRAINSTORMING

1. **What is a loan?**
2. **What makes a loan different from a grant?**
3. **How different is a group loan from other loans like bank loans?**

A loan is credit borrowed that MUST be repaid after an agreed period of time with some interest on it. Therefore a loan is a debt.

The interest is paid to offset the opportunity costs of the funds borrowed because, for instance, the same fund, when deposited in a bank would earn interest. Secondly, the interest is to reduce the risks as well as offset the cost of lending to the lender. This means that a loan is not given out just anyhow to anybody, anywhere. It is a conditional giving based on trust between the lender (the group) and the borrowers (the members). Moreover, because we all hate bad debt, so does our group hate bad loans.

Since a group loan is member-owned unlike the other loans from banks, NGOs, etc, it should operates more or less on mutual trust between members and their group and among members themselves. However, this does not absolve the groups from setting the best loan conditions and interest rates as well as indulging in other best practices. Thus even group loan require:

a) *A clear management system invested in a loan committee.*
b) *A practical operational regulations that all members adhere to.*
c) *An efficient loan records and monitoring system.*

QUESTION FOR BRAINSTORMING

How does your group operate its loan scheme?

A number of groups have adopted the following general lending approaches and practices:

- **Loan committees** are in place to oversee the loan transactions but without clear operational guidelines both for them and the whole loan process.

- No assessment of the loan utilization and the capacity of the individual to undertake the proposed project is done using a set of criteria agreed beforehand. Thus members rely on their perceptions and feelings about an applicant.

- Members are free to apply for whatever amount they want but the group decides on the **loan ceiling values** which the loan committees are expected to apply.

- Loans are **only** provided to group members.

- No guarantee or collateral is required because each savings of the individual, which in most cases are far below the loan value, in conjunction wit the trust of the member, is considered security enough.

- Disbursement of funds to members is done as and when funds are available.

- Loan recovery strategy is not available but dependent on mutual trust.

- Some records are kept but they leave a lot to be desired.

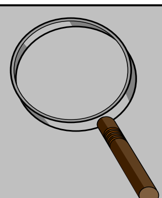
Loan Committees

The establishment of a loan committee as an organ for managing the savings and credit schemes is a clear indication of the importance and separation of powers that the group strives for. The independence of the loan committee is a pointer to the independence and fairness the loan process deserves.

As any other committee of a group, a loan committee needs to have its own chairperson, secretary and treasurer whose roles are as the roles of the groups' executive committee but restricted to the savings and credit scheme. The committee is also accountable to the Executive Committee and or the General Assembly of the group.

The roles of the loan committee include:

- Savings mobilisation from members;
- Records keeping on savings and credit scheme;
- Meeting regularly to discuss matters pertaining to the scheme and taking whatever decisions the committee deems do not warrant a meeting of the General Assembly;
- Loan assessment, monitoring, and recovery;
- Reporting to the Executive committee and General Assembly before a final loan approval and disbursement is made; and
- Identifying problems and opportunities for the scheme.



Facilitators' Remarks

TOPIC 2: LOAN APPLICATION AND ASSESSMENT

QUESTION FOR BRAINSTORMING

What processes are involved in the group lending?
Are the processes necessary, adequate, and effective?

In the event that a loan committee is in place, some cumulative savings has been realized, and the group during its general meeting has resolved that the funds be given as loans to members (other target clients) the normal loan process starts.

Every applicant is expected to apply for her/his loan individually. In situations where fees are collected, the applicant pays the fees for an application form from the loan committee. The sum of money paid is documented as revenue to the group and it is normally used for purchases of stationery, printing forms, etc.

When the applicant has submitted the application, it is the task of the loan committee to assess the loan and approve it. The common mistake has always been that because every applicant is a member (save for those who lend to other non-members) the loan committee is reluctant to defer or disapprove of any application. Thus often loans are given to a non-productive sector/investment and the member gets entangled in debts – which if the loan committee had acted honestly before could have averted the situation.

The loan committee has to assess the loan application. However, loan assessment requires a transparent system whereby individual cases are screened jointly and decisions are made through a consensus.

When analyzing a loan application, the following are some of the questions the loan committee **must** ask when assessing a loan application:

- What is the character of the applicant
- Why does s/he want this money

- How much is wanted
- How will it be repaid
- Does the person show a sign of financial sustainability
- Is there sufficient security e.g. guarantors
- Is the business (save for consumption loan) feasible – market, profit, knowledge, etc (THE 8 KEY QUESTIONS OF IGA SELECTION, PLANNING AND MANGEMENT**).**

These questions are all presented in a loan application form that must be filled by every applicant. The applicant will also be asked to present a detail of other/alternative financing sources that are required for the enterprise. Apart from providing an alternative avenue where one could be advised to turn to, it also presents a fall back during the time of failure to repay the loan.

The loan committee then appraises the loan taking into consideration the following:

- Loan size;
- Purpose of loan;
- Repayment period;
- The security offered;
- Best loan recovery methods (weekly, bi-weekly depending on the group agreement).

Facilitators' Remarks

TOPIC 3: LOAN APPROVAL AND DISBURSEMENTS

When the loan is approved, the applicant is notified about the fate of the loan application. For unsuccessful loans, the applicants should be made to know why their loan application was either deferred or rejected. In case any advice or action is required before the application is approved, the application should be made to adhere to the request.

For successful loans, the applicant is notified of when to come to the loan committee to sign a loan agreement together with the guarantor. In the meantime the treasure prepares to collect the funds as approved.

On the day of signing the loan agreement, the applicant **must** be made aware of the conditions of the loan and the repercussions in case of default. This include:

- The loan interest as agreed upon by the group.
- The loan repayment period as is indicated in the repayment schedule.
- The freedom of the loan committee to supervise the business.
- The role of the guarantor in case of default. Every loan applicant must provide a guarantor who must be a member of the group, who qualifies for loaning, have a savings with the group, is of a credible character, not a loan defaulter nor a guarantor to a defaulter. The guarantor must be one who can pressurize the borrower to repay the loan and in case of failure is able to repay on behalf of the defaulter.
- The need for access to collateral in case of default. In the loan agreement the borrower shall secure that the pledged is free from any encumbrance as long as the loan has not been fully repaid so that the ownership of the collateral pledged shall rest with the group.

Thereafter, the loan is ready to be disbursed. It should however be noted that the precondition for the success of this loan is the useful loan investment and the understanding of the terms by the applicant to ensure the commitment and undertaking s/he is about to engage in.

Loan disbursement should also be made timely. Most of the activities financed are seasonal. This requires that loans should be given out to successful applicants when the time is ripe so as to reduce diversion and and/or subjecting applicants to trade-off in other properties to repay wrongful loans.

Facilitators' Remarks

TOPIC 4: LOAN RECOVERY AND SUPERVISION

The applicant as mentioned above is given a copy of the loan repayment schedule and is expected to pay back the installments as indicated. The applicant may pay in bits but the total amount recovered during the month must at least equal to the installment expected that month.

There is need to ensure that the money disbursed to the beneficiaries is used for the actual purpose for which it was borrowed. Although this may not apply for consumption loans and or in cases where applicants are innovative in business environment scanning by switching between profitable business of the seasons.

Supervisory visits by loan committees help in making sure that the loan is not diverted to some other use and increases recovery rate. Most loans that have been used properly are paid off timely with a minimal default rate.

In case of total default, the management will then liaise with the Executive committee to ensure that the loan is repaid for example if land has been pledged as security during the sale these authorities should witness the process to avoid other complications.

Facilitators' Remarks

Unit

4

OPERATIONAL GUIDELINES

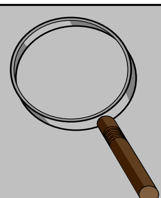
Session Objective	At the end of the session members are able to: < Understand and appreciate the need for an operational guideline. < Establish a formally prudent savings and credit operational guideline
Topic	Loan guidelines
Methods	Lecturette
Materials	Flip charts, Marker pens, Masking tape, manila cards

This session should be conducted in accordance with the AFARD proposed format of a group savings and credit operational manual - Volume 4. The facilitator should adhere as much as possible to explaining the contents and implications of the manual to the group members.

The focus of the 2-day training is on:

1. guideline contents and their contextual interpretations; and

2. form filling and records keeping.



Facilitators' Remarks

ABOUT AFARD

The Agency for Accelerated Regional Development (AFARD)[3] is a home-grown, voluntary, non-denominational and non-for-profit development support organisation dedicated to the promotion of participatory and endogenic grassroots development in the West Nile region of Uganda.

Vision	A society in which the people are informed, healthy, and prosperous.
Mission	"to contribute to the molding of a region in which the local people, including those who are marginalized, are able to participate effectively and sustainably and take a lead in the development of the region."
Objectives	1. *To harness the knowledge, skills and experiences of the development practitioners within the region and channel it for the accelerated, equitable and sustainable development of the region.* 2. *To act as a midwife, an interim link between the grass roots and sources of new information, innovations, expertise, and funds required for the type of development that places people firmly in the center of all development efforts.* 3. *To avail of our expertise by way of consultancy to other development stakeholders interested in the region.*
Thematic Strategies	Skills Development; Action Research, Information Management; Networking and Linkages; Advocacy and Lobbying; Resource Mobilisation
Beneficiaries	Community based organisations, local NGOs and other development institution and any other stakeholder with interest in the region.

The mainstay of AFARD's activities is capacity development of community-based organisations and local NGOs through the fostering of a positive change in mindset, leadership, skills and the acquisition of critical tools that promote self-reliant development under an atmosphere of iterative and flexible partnership, joint action, local ownership and community empowerment.

AFARD's understanding of capacity building is most closely mirrored by the definition by UNDP (1997)[4] which states that capacity building is *"the process by which individuals, groups, organizations, institutions, and societies increase their abilities to (1) perform core functions, solve problems, define and achieve objectives; and (2) understand and deal with their development needs in a broad context and in a sustainable manner*". It is a process of progressive learning, which outsiders can only facilitate (Tandon, 1997)[5],

[3] AFARD was registered as a Company Limited by Guarantees and not having a Share Capital No. 45170 in 2000. In 2002 it was registered as an NGO with the National NGO Board, Reg. No. S.5914/3735. Registration with the national NGO Forum is in progress with payment already completed.
[4] UNDP, 1997, Capacity Development", Technical Advisory Paper 2.
[5] Tandon R., 1997, capacity Building in Civil Society, New Delhi.

and can best be developed in a participatory manner through the ideas, actions, and initiatives of group members themselves.

The importance AFARD attaches to capacity building is based on a careful analysis of the institutional environment in AFARD's area of operation that revealed the following gaps:

< No other organization was giving capacity building of local organizations any serious, long-term considerations. As an indigenous organization, born to live, unlike other project-based organizations that have definite life spans, AFARD is committed to such a long-term partnership.

< Government's work at community level has limited coverage because Community Development Services have only one officer for every two sub-counties; is constrained by inadequate facilitation support and top-down approach, thereby creating a big gap that AFARD and a few other NGOs are striving to fill.

< Access to training from other NGOs is biased in favor of the NGOs' programme goals- i.e., they use groups as means and not ends in themselves to meet their (NGO) hidden agenda. This has continued to derail and hamper the growth of CBOs.

< Over the 2 years of operation basing on our wider concept of capacity development, AFARD has transcended the narrow focus of training as the sole content of capacity development common among most, if not all, NGOs and government agencies. We have taken capacity development to a new height by developing attributes of "capacity" and the tools for measuring it in a participatory manner.

Our basic argument is that the nature, direction, and pace of development should be dictated by the wishes and aspirations of the local people. External agencies, however well meaning, will not help forever. Sooner or later the locals will have to take responsibility for their livelihood. AFARD's capacity development process is aimed at just this. The outsiders (partners) can play a catalytic role by widening the perspectives and visions of the locals, enriching their outlook, and generally creating a hunger for sustainable development. The outsiders can also complement the efforts of local actors by helping them to access the critical resources required for the transformation of their dreams into realities. However, such ideal partnerships, however, thrives best on fundamental principles such as 'equality, mutual respect, trust, subsidiarity, transparency and accountability'.