

**Financial Resilience  
Learning and Sharing  
Hub**



**Models for Learning and  
Sharing to Advance CSOs  
Financial Sustainability**

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# Asset Building

February 2023



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# 1 Introduction

**The Kenya Community Development Foundation (KCDF)** was founded in 1997 as an indigenous southern-based, lead, and community-rooted organization. Since its establishment in Kenya, the foundation has built a strong basis for community-driven development approaches and is unique in Kenya as a pioneer of community philanthropy and sustainable development. Its **vision** is *Flourishing and Resilient Communities* while its **Mission** is *to Promote Social Justice and the Sustainable Development of Communities*.

As a public foundation, KCDF supports poor, marginalized, and disadvantaged communities to initiate and drive their development agenda by harnessing and growing their resources and securing their basic rights and services from duty bearers. The foundation works with organized communities that are focused on sustainably uplifting themselves through asset building. KCDF capitalizes on right-based approaches in supporting social justice and sustainable development.

KCDF has partnered with other East African Civil Society Organizations to create a **Financial Resilience Learning and Sharing Hub** that will be delivered through face-to-face and online interactions. The overall objective of this project is to have financially viable civil societies, able to generate, build and manage their resources, to advance their goals. CSOs that enroll in the hub will benefit from coaching and mentorship opportunities as part of experiential learning.

for the development of the necessary policies to support the promotion of a just and fair society, as well as good governance. KCDF is part of the growing #shiftthepower movement that collaboratives seek to support a global shift of power to communities.

Beacon of Hope (BoH) is a Non-Governmental Organisation (NGO) that was registered in 2002. Beacon capitalizes on a holistic approach that supports quality education, spiritual nurture, nutrition, health, and protection as components of community transformation. Beacon's Vision is: 'To be a model of excellence in wholesome community transformation'. Its mission is 'To bring hope and catalyze sustainable transformation by uplifting the spiritual, physical, economic, and social well-being of vulnerable individuals, families, and communities. Beacon of Hope deploys the social enterprise approach in its education and health-oriented activities. This includes the Beacon of Hope Academy; Beacon Technical Training Institute (BTTI); Healing Balm; and Sifa Christian Guest House. Community members pay affordable and competitive fees for these services. Despite their low cost, efforts are made to offer quality services to its clientele, many of whom are from low-income households.

Ndithini Community Development Association (NCDA) was registered under the Societies Act on 22nd June 2005. It is a community-based and owned development organisation. NCDA's vision is: 'A united Ndithini, where everybody, has a voice, opportunity, and respect for all his/her rights'. The association has 6,000 members, all of whom own shares with the minimum being one share. Each share is worth Ksh 300. NCDA owns a village bank that aims to strengthen the financial well-being of its members by giving them a viable institutional framework to mobilise financial resources for investing in productive activities. The association works with members to build their financial capital base and create a sustainable mechanism through which they can take control of their economic development.

## 2.1.2 Uganda

Okere Community Development Project (Okere City) is an ambitious community-based social enterprise with one burning mission; to transform Okere, a sleepy village in Otuke District, Northern Uganda into a thriving and sustainable city. Commonly known as 'Okere City', the idea is premised on the belief

# 2 Case Study Briefs

## 2.1 Countries and Organisations Covered

### 2.1.1 Kenya

The Kenya Community Development Foundation works through strategic and carefully selected partnerships in Kenya, both at the national and community level, and strongly believes in the ability of communities to identify and prioritize their needs and with a little external support, pursue their solutions to these needs. KCDF also recognizes that pro-poor policies are critical to be able to address some of the systemic challenges faced by vulnerable groups, hence the need to push

that using an integrated rural development approach based on social-market economic principles to design and implement community development projects can create catalytic rural transformation and sustainable agrarian reforms. Its motto, “Yamo Akwo Koddo” which translates to “A Living Wind Blows”, captures this dream with an African theme. It has a bold vision: ‘creating economically thriving and self-reliant rural households in Okere Parish’.

Uganda Community Based Association for Women and Children Welfare (UCOBAC) is a non-partisan, non-governmental organization dedicated to promoting and improving the socio-economic welfare of the most vulnerable individuals, families, and communities in Uganda. As for its vision, UCOBAC envisions empowered communities free of poverty and able to exercise their Human Rights and Fundamental freedoms. Its mission seeks ‘To improve the welfare of women and children using community-based initiatives.’ UCOBAC seeks to identify and define the needs of vulnerable women and children while strategically developing programs that address priority areas.

## 2.2 Asset Building Case Study Overviews

### **Case Study 1: Brick by Brick: Building a Secure Foundation: Kenya Community Development Foundation (KCDF):**

KCDF Foundation, through its Trust, has been able to acquire significant assets over time that now contribute to its sustainability. While the Morning Side Office Park premises are owned by the foundation and used to leverage funding from donors, the other assets enable it to generate funds. These include the KCDF House and investments in Heri Heights. KCDF also owns land in Lamu that has appreciated in value though it does not generate income at present. During this journey, KCDF has learned a lot about what is required in acquiring and managing assets. KCDF Foundation and its Trust continue to learn, evolve, and adapt in a process that seeks to increase its ability to maximize revenues from asset development. While the journey has been far from easy, it does prove that with the right leadership and strategies, organisations can acquire their assets. These can play a significant role not only in reducing their overheads but generating income as well as helping support the organisation’s sustainability. KCDF Foundation and its Trust are market leaders that other development organisations can learn from.

### **Case Study 2: The Community that Built its Own Bank: Ndithini Community Development Association (NCDA):**

NCDA has achieved much in

its 15 years of existence. It is the only village bank of its kind in Ukambani and has grown and prospered despite all odds. Even Makueni County has shown interest in replicating its model. It has grown to 6,000 members over the last 15 years. NCDA has a loan portfolio of Ksh 117 million shillings and registered profits of Ksh 8 million in 2021 despite the post covid-19 effects. The total asset base is currently Ksh 142 million and its assets grow by an average of Ksh 8 million per year. Currently, members earn Ksh 40 for each Ksh 300 share, which is higher than many bigger companies such as Safaricom and Kenya Breweries. NCDA has been able to acquire physical assets now worth Ksh 35 million. It owns all of its 3 branch offices and one acre of land in Ndithini. The bank is run by people from the community and benefits the community and proves that given the chance, communities can solve their problems.

**Case Study 3: The Corner Stone:** Beacon of Hope (BoH). Beacon of Hope has built an enviable asset base from nothing. While working in the slums, it acquired its current property in Ongata Rongai, Nairobi through an auction. The valuable property in the CBD of Ongata Rongai is now populated with various buildings through which it delivers its education, health, and other community programs. It is worth at least Ksh 500 million when all the developments are considered. These include buildings that house; The Beacon of Hope Academy; The Healing Balm Health Centre; Junior Secondary; and the Sifa Guest House. One key benefit of owning the buildings is that Beacon does not pay rent. This reduces its costs thus making it more appealing to donors. It also enables it to leverage its facilities as contributions to donors’ projects. BOH benefits from income from the use of its assets by its social enterprises. It also helps lower the operational costs incurred by these enterprises since they do not need to pay rent. Surpluses from its social enterprises in turn enable BoH to pay for costs that donors do not want to cover. They also help capitalise its endowment fund. Unlike many other NGOs that often end up on the wrong end of the stick as far as costs are involved, BOH has been able to develop its assets using a cost-effective approach –many times, developing assets at half the cost. It has partnered with businesses and learned valuable skills that have supported it in its asset development journey. BoH proves that with determination and visionary leadership, organisations can grow from the slum and acquire significant assets.

**Case Study 4: Building a Village Bank:** Okere City. Okere Village Bank is the financial arm of social businesses operated and supported by the Okere City project. It has invested in several businesses in Okere City. The bank provides several services including mobile money transactions (MTN mobile

money and Airtel money), soft loans, agent banking, VSLA activities (Boli-Cap) and airtime purchase. Other services include business advisory and entrepreneurship training and computer services (printing, photocopying and typing). Okere City has set up a unique bank that it is using to mobilise resources for some of its projects. Though it is still relatively small, it is an innovative and potentially sustainable way of ensuring that some of its projects are funded by private capital. The bank takes a significant part of the shares of the businesses in which it invests. For example, it owns 51% of the shares of the Okere Shea Cooperative. With this approach, it can finance activities that many donors may not have been willing to. While it does have a long way to go, it is one initiative worth watching.

**Case Study 5: Asset Acquisition: One Building at a Time: Uganda Community-Based Association for Women and Child Welfare (UCOBAC).** Achieving sustainability is a key target for many organisations. One key aspect of this is having a 'home' that is rent

free thus providing security of tenure even when donor funds are unavailable. This was a long-term dream for UCOBAC that was finally realized in 2018 with the acquisition of three buildings in a strategic suburb of Kampala. This not only freed it from the burden of paying rent but also enabled it to generate additional income. There are no shortcuts to asset building. While a few organisations get lucky to have a donor acquire and or build premises for them, for UCOBAC, it has been a combination of strategies. Its income from the revolving fund, savings culture, and support from an existing donor who appreciated its work and was willing to top up its resources. The combination of all these resources made all the difference in fulfilling its Kampala office dream. UCOBAC has since bought additional premises in Bugiri from savings. Its asset-building dream does not end there. It seeks to continue investing assets in the future to ensure that it is sustainable. There is a lot that other CSOs can learn from the UCOBAC approach to asset development.



## Asset Building Case Study

# Asset Building - Brick by Brick: **Building a Secure Foundation**

Kenya Community Development Founda-  
tion (KCDF)

## Executive Summary

The Kenya Community Development Foundation (KCDF) was founded in 1997 as an indigenous southern-based, lead, and community-rooted organization. Since its establishment in Kenya, the foundation has built a strong basis for community-driven development approaches and is unique in Kenya as a pioneer of community philanthropy and sustainable development.

KCDF's vision is 'Flourishing and Resilient Communities' while its mission is 'To Promote Social Justice and the Sustainable Development of Communities'. KCDF works with both national and community-based organizations to shift the power to communities, enable prosperity, strengthen a culture of working together, and enable communities to hold decision-makers accountable.

Over the years, KCDF has been acquiring and developing assets to support its long-term sustainability with the support of the Ford Foundation, Aga Khan Foundation, Kagiso Trust and the Rockefeller Foundation amongst other partners. Most of the assets are under the custody of KCDF Trust. Unlike the Foundation, which is registered as a company limited by guarantee without share capital, the Trust registration ensures the perpetuity of ownership. KCDF Foundation and KCDF Trusts real estate investments include KCDF House, office space at Morning Side Office Park and land in Lamu. These assets have been important in supporting its development work with communities.

KCDF House was built at a cost of Kes 144,534,560. It has since grown to Kes 200 million in value as of a 2020 valuation. It is managed by a property manager, Crystal Valuers. The office space at Morning Side Park is meant to ensure that the foundation has offices where it could always operate in. This aimed to ensure its sustainability. The office space also provides leverage when negotiating with donors. The investment, held by the foundation rather than KCDF Trust, was more for reasons of office space rather than the generation of income.

KCDF Trust has learned several things over the years. Leadership has played a key role in the Trust's success. It involves the capacity to have a clear strategy, be intentional and take action. Good documentation is important for tax benefits. The foundation has a tax exemption certificate that enables it to dedicate all revenues to charity. In addition, by including 27 other community funds, KCDF has benefited from shared overheads. In general, KCDF has been

able to successfully build an asset portfolio that is amongst the best in the country. It continues to build on its asset base through sound leadership and determination.

## 1 Introduction

As a public foundation, KCDF supports poor, marginalized, and disadvantaged communities to initiate and drive their development agenda by harnessing and growing their resources and securing their basic rights and services from duty bearers. The foundation works with organized communities that are focused on sustainably uplifting themselves through asset building. KCDF capitalizes on right-based approaches in supporting social justice and sustainable development. The foundation recognizes that pro-poor policies are critical to be able to address some of the systemic challenges faced by vulnerable groups, hence the need to push for the development of the necessary policies to support the promotion of a just and fair society, as well as good governance.

KCDF works throughout the country with both national and community-based organizations to shift the power to communities, enable prosperity, strengthen the culture of working together, and enable communities to hold decision-makers accountable. Its approach to sustainable development is anchored on ensuring communities can identify and act on their most pressing needs by paying attention to the immediate and long-term challenges and crafting innovative and homegrown solutions focused in the areas of livelihoods, education, environmental conservation, and policy influencing.

KCDF's key thematic areas cover education; livelihood; environment and natural resource management; effective governance; and enhancing institutional effectiveness. Headquartered in Nairobi, Kenya, KCDF works across the 47 counties in Kenya and significantly in 32 of them through partnerships with like-minded grassroots organizations/ Civil Society Actors. Currently, KCDF has over 60 active partnerships (grantees) implementing projects in Livelihoods, Environmental conservation, education, governance and social accountability. The foundation's core values are equity, respect, integrity, collaboration, and innovation.

To effectively achieve its mission, KCDF applies the following approaches to its work;

- **Community Engagement and Organizing:** The KCDF model of delivering its mandate is through

working with organized community groups, associations, etc., as vehicles to scale up desired changes in targeted communities.

- **Local Philanthropy:** KCDF works to encourage the growth and promotion of organized giving for sustainable development in Kenya. The goal is to move communities and the wider Kenyan public from a mindset of depending on external resources to the effective mobilization of in-country resources towards the implementation of their prioritized projects.
- **Institution Building:** KCDF's concept of sustainable community-driven development is pegged on the premise that well-capacitated groups are key instruments in scaling up and sustaining continuous transformative change at the grassroots levels.
- **Partnerships and Networking:** KCDF believes that the challenges of poverty cannot be achieved by one actor hence there is value in working collaboratively with other like-minded organizations in addressing issues that communities continue to face.
- **Policy Influencing:** Policy influencing refers to the different actions taken by organized groups on an issue of concern, to influence decision-making or to change a policy that brings about lasting change in the lives of disadvantaged people.
- **Asset Development:** This refers to work by non-profits of building long-term assets of different kinds, aimed at generating flexible funds to further their collective goals to obviate their work being affected when funders change their priorities.

## 2 Building a Secure Foundation

### 2.1 Introducing KCDF Asset Building

#### KCDF Trust

KCDF Trust is responsible for all the assets owned by the foundation. This includes the endowment fund as well as physical assets such as the KCDF House and the land in Lamu. Unlike the Foundation, which is registered as a company limited by guarantee without share capital, the Trust registration ensures the perpetuity of ownership.

The objectives of the Trust are:

- Ensure that the Trust has an appropriate legal framework to discharge its role as holder and custodian of the KCDF assets.
- In addition to its role as holder and custodian, ensure that the Trust has the optimal legal and

administrative framework to enable it to protect, grow and nurture the assets in its custody.

- Ensure that the Trust has a stable foundation and infrastructure to efficiently oversee and manage the assets in its custody.
- To provide a platform that will enable the Trust to handle a variety of investments and assets so that it can support the wider KCDF family's growth and expansion objectives.

Most of the trustees serve for one or two years. They are recruited from retired members of the KCDF Foundation Board amongst others. For example, the last two chairs of the KCDF Foundation Board have joined the KCDF Trust Board. It is however not an automatic practice and depends on the value they can offer the Trust. It is also determined by their KCDF Board performance.

#### ADAPO Holding

The Trust has registered ADAPO Holdings to help it diversify its investments outside the money market. ADAPO Holdings can invest in land and property. The foundation provides secretariat services to KCDF Trust and ADAPO Holdings which currently have no staff of their own. In the future, the Trust will be weaned off KCDF management and staff support by giving it a lean staff team based on its functions.

ADAPO Holding has a board comprised of directors that are from:

- KCDF Trust - 2
- Kenya Community Development Foundation - 2
- KCDF Executive Director - 1
- Independent - 2

ADAPO Holdings seeks to introduce private sector standards in the development sector.

### 2.2 How it Works

KCDF Trust has made investments in several properties which include:

#### KCDF House

KCDF House stands on a property that was originally donated to the foundation on its 10th anniversary. The old dilapidated building, which was once a rescue center for Asians fleeing Idi Amin, was renovated and used as a KCDF office from its inception. KCDF House was built at a cost of Kes 144,534,560.50. It was funded by a Kes 50 million grant from the Rockefeller Foundation with the rest coming from KCDF Trust. The foundation did not want to take a loan as it would have created undue repayment pressure. There were

options for either developing residential apartments or office space. After due diligence, a decision was made to develop a five-floor building targeting the office market. It has since grown to Kes 200 million in value as of a 2020 valuation.

The property is managed by a property manager, Crystal Valuers. To support accountability, the caretaker is employed by KCDF Trust. KCDF House is fully occupied with two floors leased by one organisation while smaller businesses have taken up the rest of the space. The 100 percent occupation of the premises is commendable given the market glut in office space. This came at a cost though as KCDF Trust had to give discounted rates to attract some clients.

### Land in Lamu

The land in Lamu is a long-term investment in the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) corridor. Measuring 16 acres in size, it was purchased for Kes 21 million to support future development.

### Morning Side Office Park

The office space at Morning Side Office Park is meant to ensure that the foundation has offices where it can always operate in. This increases its sustainability. It also provides leverage when negotiating with donors given that the foundation can make an in-kind contribution towards the project. The investment, held by KCDF Foundation rather than the Trust, was more for reasons of office space rather than the generation of income.

### Investments in other Companies

This includes investment in Heri Heights, a real estate and hospitality company. The investment was made by KCDF Trust and totals Kes 200 million. Of this, Kes 120 million was invested by KCDF Trust with the remaining Kes 80 million coming from Kagiso Trust. Kagiso is a South African Trust that partnered with KCDF Trust to support the diversification of its investments. It has since donated its shares to KCDF Trust.

## 2.3 Achievements

KCDF asset-building activities have been successful in securing several valuable investments.

### Real Estate

These include

- KCDF House
- Office space at Morning Side Office Park

- Lamu property

These are managed by KCDF Trust with the help of ADAPO Holding. ADAPO is fully owned by the Trust for holding purposes. The aim is to strengthen the capacity of KCDF Trust to access better expertise in supporting its riskier investments.

### Investment in other Companies

The investment in Heri Heights has not done as well as expected, partly due to the Covid-19 pandemic that badly impacted the hospitality industry. It had however generated a return of Kes 6 million by 2022.

## 2.4 Challenges

Asset building can be a risky but rewarding endeavor. KCDF has had its fair number of challenges. Some of these include:

### Some of the investments made from the endowment have not done well:

For example, Heri Heights has not met expectations despite the potential that it had. One of the reasons for this was the Covid-19 pandemic that badly affected the hospitality industry. Heri Heights has large investments in hospitality and the lockdown badly affected returns.

### Returns are susceptible to market conditions.

The unpredictable market adds to the challenges in asset development especially when real estate and land are concerned. This makes it more difficult to predict revenues. The flooding of the real estate market with developments has meant lower-than-expected returns. In the case of the Lamu Land, the reduced profile of the Lamu port has also hurt its appreciation as well as development prospects.

**Covid-19 Pandemic:** While the pandemic was completely unexpected, it has had profound effects on the national and global economy. It impacted negatively on KCDF's investments such as KCDF House and Heri Heights as the hospitality and real estate sectors were hit by the lockdowns. While this was a rare occurrence, it demonstrates some of the risks involved in asset development.

**Flooded Real Estate Market:** The real estate market has been flooded by development resulting in more offers than takers. This has necessitated offering lower prices to fill KCDF House. It also affected the real estate business of Heri Heights, given that it was also a core business.

**Finding the right people** to serve within the Foundation and Trust. The organisation requires people with money and investment skills. Not only

are they difficult to find, but the best are also very expensive. KCDF, therefore, depends on pro bono services from those willing to support its work.

## 2.5 Future Plans

Despite the myriad of challenges that it faces in asset development, KCDF Trust has several plans for the future. These include:

**Portfolio Diversification:** Under ADAPO, KCDF Trust will continue to diversify its fund portfolio. Though it may increase risks, it also offers KCDF greater revenues.

**Strategy Development:** ADAPO will develop a strategy to guide its future investments. This will result in better targeting of opportunities and increased earnings by KCDF Trust. It will also better manage risk in an increasingly volatile marketplace.

**Staffing ADAPO Holdings:** KCDF Trust plans to recruit some staff with the expertise to support ADAPO Holdings' investment activities. This will reduce its dependence on the foundation while increasing its capacity to implement the investment strategy, once complete. It will also partly reduce its high dependency on voluntary expertise thus increasing its ability to better react to real-time market developments.

## 3 Lessons Learned

KCDF Trust has learned several things over the years. These include:

**The value of good leadership:** This has played a key role in KCDF Trust's success. Leadership provides a clear strategy that is intentional and supports timely action. In asset acquisition, quick decision-making is critical if opportunities are to be capitalized on. The long decision-making processes often associated with NGOs do not support this.

**Good documentation is important for tax benefits:** KCDF Trust has a tax exemption certificate that enables it to dedicate all revenues to charity. The Kenya Revenue Authority (KRA) conducts annual audits and having good records ensures that it is in good standing with the authority.

**Have to start somewhere.** Asset development requires guts. The organisation has to have the courage to do it. The organisation has to start from somewhere – even if it means small steps. Unless it is

willing to do so, its aspirations will simply remain as ideas and dreams.

**Think long term:** This is important for sustainable benefits. Though there may be short-term hiccups and disappointments, if the investment was based on sound decision-making, it will most likely provide some returns. For example, while Heri Heights has not met the expectations that KCDF Trust had, it has still provided a return of Kes 6 million.

**Diversification is important.** It is important not to put all your eggs in one basket. KCDF Trust had a 5-year strategy to guide it. It has however kept on reflecting and learning from its investments as it seeks to further diversify them. While not all its investments have met expectations, the few that did have enabled it to gain a good return from its portfolio.

**Investment becomes very complex.** Investments require a different set of skills that are not domiciled in the foundation. This becomes very challenging to the foundation, which is more vested in skills focusing on its immediate vision and mission. This forced the foundation to vest its investments with KCDF Trust. It has now gone further and established ADAPO Holdings which will have the right set of skills and expertise to guide and advise the Trustees.

## 4 Conclusion

### 4.1 Conclusion

KCDF Foundation, through its Trust, has been able to acquire significant assets over time that now contribute to its sustainability. While the Morning Side Office Park premises are owned by the foundation and used to leverage funding from donors, the other assets enable it to generate funds. These include the KCDF house and investments in Heri Heights. The land in Lamu has appreciated in value though it does not generate income at present. During this journey, KCDF has learned a lot about what is required in acquiring and managing assets. It is from these lessons that it has now established ADAPO Holdings to support its investments. Realizing the complexity and the level of skills required in asset building, it also plans to staff ADAPO rather than provide secretariat services from the foundation, as has been the practice. KCDF Foundation and KCDF Trust continue to learn, evolve and adapt in a process that seeks to increase its ability to maximize revenues from asset development.

While the journey has been far from easy, it does

prove that with the right leadership and strategies, organisations can acquire their assets. These can play a significant role not only in reducing their overheads but also in generating incomes as well that help support the organisation's sustainability. KCDF Foundation and its Trust are market leaders that other development organisations can learn from.

## 4.2 Replication Steps

Organisations interested in replicating KCDF's success can keep the following in mind:

**Step 1: Develop your vision:** The leadership needs to come up with a vision of what they would like to achieve in asset development. This vision has to be bold and achievable.

**Step 2: Secure Board Buy-in and Support:** Given the risks involved, getting the support and commitment of the Board is critical. Things may not always work out as expected. However, with support from the Board, resources can be secured to support the achievement of the vision and mission.

**Step 3: Ensure you have the right expertise.** This is especially crucial at the Board level where key decisions are made. Without the right people who provide the required guidance, mistakes can be made -- some of which could prove fatal. Boards

allow organisations to tap into the top talent and expertise on a pro-bono basis. This is one area in which KCDF Trust has excelled and it has helped ensure the success of its investments.

**Step 4: Develop the right structures:** There will be differences between the vision and mission of the organisation that may focus on development work and its investment objectives. Each demands its policies and expertise. Setting up the right structures enables the organisation to be able to tap and utilise the right expertise to guide its investments. It also ensures that relevant structures develop the capacity to maximise the return on their investments.

**Step 5: Keep on learning and adapting:** Asset development is a journey. It is important to keep on reflecting and learning on your investment journey. Things do not always work out as planned – there are often many surprises. Learning and adapting enable the organisation to surmount challenges and capitalise on opportunities.

**Step 6: Think long-term.** It pays to develop a long-term strategy that guides the investment. However, the organisation has to be sensitive to unforeseen events that may significantly affect the investment portfolio. You should not panic over short-term disappointment- rather focus on the long-term prospects and returns of the investment.



Asset Building Case Study

# The Community That Built **Its Own Bank**

Ndithini Community Development Association (NCDA)

## Executive Summary

Ndithini Community Development Association (NCDA) was registered under the Societies Act on 22nd June 2005. It is a community-based and owned development organisation. NCDA's vision is: 'A united Ndithini, where everybody, has a voice, opportunity and respect for all his/her rights'.

The association has 6,000 members, all of whom own shares with the minimum being one share. Each share is worth Kes 300. NCDA owns a village bank that aims to strengthen the financial well-being of its members by giving them a viable institutional framework to mobilise financial resources for investing in productive activities. The association works with members to build their financial capital base and create a sustainable mechanism through which they can take control of their economic development.

To join NCDA, individuals form groups comprising a minimum of five and a maximum of nine members. Three of these groups are then combined to form a Kikundi Cha Mkopo (KCM). To become a member, one pays a minimum of Kes 700. Just like SACCO, members can borrow up to four times the value of their shares. The loans are guaranteed by 5-9 group members, depending on the size of the group. Loans attract interests of between 1.2% to 5% depending on their size. The least interest of 1.2% is paid on loans between Kes 400,000 and Kes 500,000. The longest loan repayment period is 36 months with loans being repaid on a reducing balance basis.

NCDA is governed by 12 board members who are elected during annual general meetings. Nine of them represent a sub-location each and are elected by members from that sub-location for a renewable term of three years. The bank has 31 staff, eight of whom are in management. NCDA maintains a lean and mean staffing strategy, which has been crucial to its profitability.

NCDA has achieved much in its 15 years of existence. It is the only village bank of its kind in Ukambani and has grown and prospered despite all odds. Even Makueni County has shown interest in replicating its model. It has grown to 6,000 members over the last 15 years. NCDA has a loan portfolio of Kes 117 million shillings and registered profits of Kes 8 million in 2021 despite the post covid-19 effects. The total asset base is currently Kes 142 million and its assets grow by an average of Kes 8 million per year. The shares command good returns of up to Ksh 40 per share. NCDA has been able to acquire physical assets

now worth Kes 35 million. It owns all of its 3 branch offices and one acre of land in Ndithini.

Despite its achievements and successes, NCDA had faced and continues to deal with several challenges. NCDA is located in a community where a majority of the people are poor. This affects the ability of community members to join NCDA and pay back their loans. The increasing incomes from penalties, while enhancing profits, have been a growing concern to the founders. They see it as a sign that people have been facing challenges in paying their loans, especially in the post-covid period. The unpredictability of the climate has affected farmers, therefore, increasing the difficulty in paying loans. There are community members who are unable to join groups as no one wants them. This may be because they are too poor. About future plans, NCDA intends to grow its customer base by developing the wealth of community members. NCDA also aspires to become a SACCO. However, it cannot register with SASRA until it attains a share capital of Kes 100 million, which it hopes to attain in 3 years.

## 1 Introduction

Ndithini Community Development Association (NCDA) is a community-based and owned development organisation. It was registered under the Societies Act on 22nd June 2005.

NCDA's roots can be traced to a small group of people from Ndithini who largely resided in Nairobi. Concerned by the environmental impacts of sand harvesting, the group met to devise strategies on how it could be controlled. The efforts to control sand harvesting were however still borne given the community's resistance. Sand harvesting then, as it is today, was a major source of income for many members of the community who had even organized a cooperative that was the largest and most influential in the area. It, therefore, became difficult to stop an activity that supported so many households despite its devastating effects on the environment and landscape.

Despite the failure of the sand harvesting agenda, the desire to start a community-based organization in Ndithini that would spur development was still strong. The founders believed that meaningful development must focus on peoples' abilities, values, space, creativity and freedom. To them, the participation of communities was key to successful and sustainable development. Even the poor were committed to improving their situation and what they needed was

good education and leadership to help them achieve it. The founders received advice and support from K-REP as they considered the options.

These strong community beliefs are captured by the society's vision and mission. NCDA's vision is a united Ndithini, where everybody, has a voice, opportunity and respect for all his/her rights. Its mission is: 'to empower Ndithini people by creating adequate opportunities for wealth creation in business development, agri-business (value addition), commercial agriculture, utilization of technology in both farming and animal husbandry, education, water and health, promotion of security for people, property, community values, spiritual well-being and gender sensitivity'.

### NCDA Farmers Cooperative

NCDA has also established a cooperative that focuses on dairy and apiculture. Members register at Kes 2000 each – which is separate from the fees paid to join NCDA. The beekeeping is a partnership with Savannah Beekeeping. The bank has supported 50 farmers to acquire 5-10 hives each. The honey is sold by NCDA with 75% of the proceeds going towards the loan, 20% towards farmers and 5% as profit for the society. Once the loan is repaid, the society will only retain 5% of the honey that it sells.

## 2 The Community That Built Its Own Bank

### 2.1 NCDA's Village Bank

Ndithini Community Development Association is registered under the Societies Act and is, therefore, a membership-based organisation. The village bank is owned by NCDA and does not have any separate legal status. The association has 6,000 members, all of whom own shares with the minimum being one share. Each share is worth Kes 300.

The village bank aims to strengthen the financial well-being of its members by giving them a viable institutional framework to mobilise financial resources for investing in productive activities. It works with members to build their financial capital base and create a sustainable mechanism through which they can take control of their economic development.

### 2.2 How it Works

#### Overview

NCDA's village bank operates on the Rural Financial

Services model, better known as SACCO. Under this model, members buy shares and save bi-weekly. It is these shares that provide the village bank with its operating capital. As members and therefore owners of the village bank, they are entitled to receive dividends annually in proportion to their shares. On average, members have received dividends of Kes 40 over the last 3 years.

The village bank was built on a table banking model. To join NCDA, individuals form groups comprising a minimum of five and a maximum of nine members. Three of these groups are then combined to form a Kikundi Cha Mkopo (KCM).

#### Membership

To become a member, one pays a minimum of Kes 700. The total amount is influenced by the number of shares the individual decides to buy. The minimum share allowed is Kes 300 to enable as many people to become part of NCDA as possible. This ensures that more poor and vulnerable members of the community can be part of it. As a result of this policy, NCDA gains an average of 800 members per year.

#### Requirements for Joining NCDA

Requirements	Cost (Kes)
Buy a minimum of one share	300
Pay registration fee	100
Pay subscription	200
Buy a passbook	100
Pay a development fee	200
<b>Total</b>	<b>700</b>

Once the group has been formed and accepted into NCDA, it has to meet every two weeks in line with the table banking approach. During the meeting, members pay Kes 40, which goes towards their savings. The savings are important as they also act as a guarantee towards any future loans taken by the member or other members of the group whom they guarantee. As a village bank, NCDA does not demand title deeds and these savings are therefore vital for its survival. They are deliberately kept low to ensure that as many members of the community can participate.

#### Loans

In terms of borrowing, the village bank borrows from the SACCO structure. Only members can borrow. Members can take up to four times the value of their shares just as they would with a SACCO. 5-9 group members, depending on the size of the group, guarantee the loans. From experience, the loan support business extension (30%), school fees

(30%) and farming (40%). 70 percent of the loans are repaid without challenges with the rest requiring to be followed up.

Loans attract interests of between 1.2% to 3% depending on their size. The least interest of 1.2% is paid on loans between Kes 400,000 and Kes 500,000. The longest loan repayment period is 36 months with loans being repaid on a reducing balance basis.

Loan Size (Kes)	RPN T Period (Months)	Interest (%)
1,200-12,000 1-10 shares	3-10 Months	3%
12,001-20,000 11-17 shares	3-12 months	3%
20,001-40,000 18-34 shares	3-15 months	2.5%
40,001-60,000 35-50 shares	3-18 months	2.5%
60,001-100,000 51-84 shares	3-20 months	2%
100,001-150,000 85-125 shares	3-24 months	2%
150,001-200,000 126-167 shares	3-30 months	1.7%
200,001-300,000 168-250 shares	3-30 months	1.5%
300,001-400,000 251-334 shares	3-34 months	1.2%
400,001-500,000 335-417 shares	3-36 months	1.2%

## Loan Recovery

In cases where members have difficulty repaying their loans, the recovery process entails several steps:

**Step 1: Recovery from savings.** This comes from the member's savings. The Kes 80 paid per month by each member is crucial in supporting this recovery.

**Step 2: Recovery is from guarantors' savings.** The savings of the group members is used to offset any monies owed if the member's savings are not sufficient.

**Step 3: Recovery from assets** such as livestock, televisions and so on, owned by the individual. Though this is not an official part of the model, group members have over time devised additional mechanisms to ensure that loans are repaid. Members volunteer assets to pay the loan if savings from the group members are insufficient to cover it. The community foundations of NCDA are a big asset, as the members know each other and what they own. The use of force in loan recovery is however discouraged. In addition, the use of title deeds as security is not common and NCDA does not demand nor sell land belonging to its members to recover its loans.

NCDA had developed its operations over the last 15 years. Its operations are supported by an IT system with a significant investment in computers. NCDA has developed manuals that cover board, finance, management and governance operations. These are considered critical for the professional management of the village bank.

## Management and Staffing

NCDA maintains a lean and mean staffing strategy. The village bank has 31 staff, eight of whom are in management. The management staff includes:

- General manager
- Three branch managers
- One accountant
- One project manager
- One IT manager

It has loan officers who support the loan provision and recovery process.

## Governance

NCDA has 12 board members. Nine of them represent a sub-location and are elected by members from that sub-location for a renewable term of three years. The sub-location representation on the board is in line with NCDA's community roots. The other three are nominated. The intention is to increase the skills, expertise and competence of the Board by including people who can add additional value, especially in areas where the Board lacks expertise.

## 2.3 Achievements

NCDA has several achievements on its plate:

**One of a Kind:** NCDA is the only village bank of its kind in Ukambani. It has been nurtured and proposed under the management of the Ndithini community demonstrating that communities can successfully manage their assets. Even Makueni County has shown interest in replicating its model, which is proof of its success.

**Growing Membership:** It has grown to 6,000 members and 450 VSLAs over the last 15 years. It now adds an average of 800 new members annually. Children of founders now joining the NCDA, which underpins its growing appeal to future generations. Furthermore, it is now attracting Ndithini sons and daughters from the diaspora as well as professionals such as teachers demonstrating its appeal.

**Solid Loan Portfolio:** The association has a loan portfolio of Kes 117 million shillings. The loan book has continued to grow over the years, financing

business, agricultural and education activities in Ndithini amongst other needs.

**Profitable Model:** The profit in 2021 was Kes 8 million despite the post covid-19 effects. The cooperative has never lost money since it was established proving that village banks can be profitable if well-run.

**Growing Assets:** The total asset base is currently Kes 142 million. Its assets grow by an average of Kes 8 million per year. This growth is expected to continue over the next few years, which is testimony to the resilience of the bank.

**High Dividends:** The shares command good returns of up to Kes 40 per share on average annually. There have been years in which the dividends were Kes 60 per share. The returns are better than large companies such as Safaricom and East African Breweries, especially when the price of the shares is compared.

**Property Ownership:** NCDA has been able to acquire physical assets now worth Kes 35 million. It owns all its three branch offices, all of which were built on plots of 40x100 feet.

- The headquarters in Ndithini were built at a cost of Kes 17 million with USADF providing a grant of Kes 10 million in 2017 and NCDA investing Kes 7 million in 2018.
- The Muthesia Branch is worth Kes 1.8 million and was built in 2018 with funds from the village bank.
- The Mananja branch was developed in 2019 and is worth Kes 1.9 million and was developed by the village bank using its resources.
- NCDA also owns 1 acre in Ndithini purchased at Kes 1.7 million which was also purchased with its resources.
- It has computers worth Kes 7 million bringing the total physical assets to Kes 42 million.

**Endowment Fund:** Ndithini has an endowment fund with Kes 4 million that it intends to grow further. This will be used to support the education of vulnerable and orphaned children once it is well capitalized.

NCDA has achieved much especially for an association that is located in an isolated part of Ukambani in Eastern Kenyan that is largely semi-arid. It is a testament to the fact that communities can effectively establish and run institutions that address their needs.

## 2.4 Challenges

Despite its achievements and successes, NCDA has faced and continues to deal with several challenges. These include:

**High Poverty Levels:** NCDA is located in a community that lives in a semi-arid area of Kenya. The result is a large proportion of the community is poor. This affects the ability of community members to join NCDA despite the low threshold of Kes 700 and monthly contributions of Kes 80. It also undermines their ability to pay loans and some have to followed-up.

**Share Ownership:** A few members have a large number of shares, with some accumulating up to Kes 4,000 shares worth Kes 1.2 million. This gives them greater opportunities to benefit from dividends as well as loans. The majority of the members, however, have less than 10 shares each, worth Kes 3,000 or less. This means that while a member with 4,000 shares can take home dividends worth Kes 160,000, those with 10 or fewer take home Kes 400. While poverty is one of the reasons behind the share disparity, the other is the fact that some community members appreciated the potential of NCDA and have continued to invest over a long period.

**The Dividend Challenge:** Since the Covid-19 pandemic, NCDA has been under pressure from members demanding larger dividends. It initially paid dividends of Kes 60 per share during its early years of development. This has however declined to Kes 40 owing to the impact of Covid-19 as well as the investments made in physical assets. Some members have not been happy with this leading to more challenging Annual General Meetings with members demanding higher dividends. The hard economic times are partly fuelling this trend.

**The Penalty Income Dilemma:** The increasing incomes from penalties, while enhancing profits, has been a growing concern to the founders. They see it as a sign that people have been facing challenges in paying their loans, especially in the post-covid period. The unpredictability of the climate has affected farmers, therefore, increasing the difficulty in paying loans.

**Consumption vs Investment Loans:** There is also the concern about borrowing for consumption rather than investment. This is a greater concern for those with salaries such as teachers who can afford to pay from their guaranteed income. Ideally, NCDA seeks to provide capital that steers the growth of community wealth through investment rather than consumption.

**Blessing or Curse:** Addressing Commercial Loans: NCDA provides emergency loans up to a maximum of Kes 20,000. These emergency loans, while treasured by members, can lead to debt. They are treasured by the community as they help during sickness, death, agribusiness stress, accidents and other acts of God.

There is a need to further educate members on the considerations that they make when taking different kinds of loans.

**The Membership Challenge:** Though membership growth has been impressive with an average of 700 new members recruited annually, an increasing number of these members are teachers. Others are from the diaspora and are largely children of the members. The wives of people living in Nairobi and other towns are also joining the group. This is tilting the membership towards the better-off members as opposed to the poorer members of the community. There is a risk that over time, poorer members of the community will become an absolute minority.

**The Debt Question:** NCDA, like any other organisation that loans money, has bad loans. There is an outstanding amount of Kes 1.5 million that is yet to be recovered. This is considered to be bad debt.

**Growing Exclusion of the Marginalised:** There are community members who are unable to join groups as no one wants them. This may be because they are too poor. Others are deemed to have poor character. The vetting process, though important, raises concerns about exclusion. Self-selection may lock poor people out and lead to the domination of the village elite. There is a need to look at disaggregated data to establish changes in membership structure including vulnerable communities and gender.

**Climate change:** This poses a challenge to NCDA as it affects the ability of those taking agricultural loans to pay. The increasing frequency of drought may increase default rates in the future. Drought has the effect of reducing or wiping out the wealth of community members, which has a direct impact on the bank, given that they are its customers. NCDA is taking measures to try and mitigate this. For example, it has provided pumps to farmers through loans, some of which are used to grow watermelons. It will need to be more active in supporting the community to adapt to climate change if it is to be successful.

**What Next?** NCDA has to chart out its future strategy for growth, once it outgrows its Ndithini location neighborhood. The limited geographical area means that it will need to make fundamental future decisions on what and where to focus if it is to continue its impressive growth.

**The Challenges Arising from Modern Agriculture.** While the adoption of modern agricultural practices will support greater wealth amongst community members, it does have its challenges. The spraying of crops with pesticides affects apiculture, which

has great potential in Ukambani. Finding the right balance will continue to be a challenge.

## 2.5 Future Plans

NCDA is an association with big dreams. Though it lacks sufficient resources, it still aspires to continue on its development journey.

**Grow from a CBO to a Sacco.** NCDA is registered as a society under the Societies Act. Over the years, its village bank has grown tremendously reaching a point where it needs to upgrade its status. There is a need to consult with relevant governmental bodies to determine the appropriate legal status that will support its next phase of growth. Though NCDA aspires to become a SACCO, it cannot register with SASRA until it attains a share capital of Kes 100 million. It is currently at Kes 77 million and is making steady progress toward this goal. The SACCO dream is expected to be realized in 3 years or so years given the annual growth rate of Kes 8 million a year. Once it becomes a SACCO, it will be able to enjoy greater growth prospects as well as enhance its services to the community.

**Growing Community Wealth:** NCDA intends to grow its customer base by developing the wealth of community members. This includes supporting sectors such as apiculture, dairy and fruit farming whose beneficiaries can become better customers for the village bank. In addition, fruit processing of mangoes into pulp and mango chips can reduce wastage. NCDA realizes that its prospects and profitability will be determined by the wealth of its community and that it is in its interest to help community members prosper.

**Build share capital.** To register with SASRA, the Regulatory Authority currently supervising SACCOS, NCDA needs to reach Kes.100 million in share capital to qualify. A key strategy in achieving this is the mobilisation of current members to increase their share capital. It also entails recruiting new members by selling the benefits of the NCDA to other community members. In achieving this, NCDA will deploy a two-pronged strategy that entails reaching out to higher-income people from Ndithini working in other areas in addition to reaching out to those within the community, including the poor, who can be mobilised into voluntary savings and loan associations or groups for buying shares.

**Ensuring Sound and Professional Management:** Ensure the institution is run according to sound financial principles to safeguard the members' capital (shares) and savings. This demands strengthening the

Board's supervisory role and ensuring adequate staff capacity. The village bank has to become even more efficient and effective. Instituting strong mechanisms such as annual and internal audits, staff vetting to prevent fraud/corruption, recognizing/managing internal tensions and avoiding common malpractices that have led to the collapse of big cooperatives will be crucial for its future success.

**Diversifying the Product Portfolio:** This demands the development of new high-potential products to attract more borrowing. Membership surveys suggest that NCDA should develop products in education. In addition, it should grow into a bigger bank that has agents in every sub-location.

**Addressing Member Concerns:** The community appreciates the impact NCDA has had on improving and strengthening their livelihoods. This includes strengthening their access to credit and increasing incomes through dividends. There is still however room to improve service to members who are both its owners and customers. This entails addressing concerns about occasional mistreatment and disrespect by some staff, high loan application fee, and loan interest charges. Others include Kes 40 mandatory saving, loan disqualification, high penalty charges and no interest deposit. There may be a need to overhaul the whole system of borrowing/lending, repayment and debt collection methods possibly with external expertise and advice. Staff also need to be respected and trusted as they play their roles.

**Increasing Member Returns:** Explore possibilities for an investment window for members to invest their savings. The lack of interest earned from savings remains a key complaint and challenge. This has to be done within the provisions of the law.

## 3 Lessons Learned

The association has gained many valuable lessons over the years:

**Community Ownership is Vital:** The community considers the bank as its own. The fact that they get dividends increases their support and interest in the bank. All shareholders are entitled to dividends.

**Even Poor Communities Have Resources:** The bank shareholders provide the capital that is loaned to others in the community. Many cannot get loans from other institutions, as they are not loan worthy. Some community members do not know about phone apps

and so do not benefit from current developments in technology. Despite the high poverty levels, the community has saved and provided the capital that they can borrow for agriculture, business expansion, school fees and emergencies.

**Leadership is Crucial:** Leadership is critical in establishing a village bank. Communities do not just wake up and start initiatives. There must be members of the community that offer leadership. In the case of NCDA, this came from its daughters who were based in Nairobi.

**Resources Are Important:** Consultations, field visits, meetings, structures and processes all require resources. Often, this is left to 'outsiders' who are considered as donors. However, philanthropic individuals from the community can play an important role in covering the costs of formation. In the case of NCDA, the founders provided capital, furniture and accommodation as part of supporting the vision. Community contributions, however small are important. During the consultation meetings, members would contribute as little as half a cup of beans. This investment increased the desire to see the association succeed given that it was their money at stake.

**Mobilising the community is critical.** Initiatives like NCDA cannot succeed without the support of the community. This requires mobilisation. However, the community needs to play a key role in identifying their needs and charting the way forward. In the case of NCDA, this was done on a sub-location level, with community members being asked to answer six questions. When the final report was compiled, they saw their input and were proud to point out their contributions. This solidified community support right from the beginning.

**The Local Administration Can be an Asset:** It pays to involve the local administration, especially chiefs and assistant chiefs. Though vilified, they are largely respected by their communities and are critical to the success of many community-level initiatives. NCDA began by involving chiefs from three sub-locations and their assistants before engaging the wider community. It took them on a trip to Yatta where they were able to see the work done by K-REP in organizing the community. This led to their support, which in turn, helped to mitigate the negative sentiments of some politicians.

**Politicians Will Seek to protect their Tuff:** Politicians will always view community organisations as a threat and will usually fight it. They see those promoting them as aspiring politicians. It is important to steer

away from politics. Where possible, they need to be assured that those spearheading initiatives are not doing so because they are interested in leadership positions.

**The Burden of Baggage from the Past:** Previous experiences can undermine efforts to establish village banks. Collapsed community initiatives from the past often come to haunt these initiatives. In the case of Ndithini, the collapse of a large and popular sand cooperative in which members lost their money reduced their willingness to trust and invest in another initiative. This demanded greater involvement of the community, sharing of the overall mission and greater accountability and transparency. As members of the community began to see the initiative take shape, more were willing to invest their hard-earned money in it.

**The Value of Peer Pressure:** This is important in providing guarantees for the repayment of loans. Peer pressure is even stronger in a community setting where members are related or know each other well. The fear of reputational damage or being ostracised helps to ensure that loans are paid.

**Founders Are Key Pillars:** Founders can play an important role in stabilizing the ship during disagreements. In the case of NCDA, the amount of dividends paid has increasingly become a hot issue, especially during challenging economic times. The voice of a respected, trusted and credible founder is often taken more seriously than that of the Board. It can help solve issues that may have provided serious problems to the organisation.

**The Risk of Product Dominance:** The village bank has overshadowed other NCDA activities such as water provision and agriculture. Unlike the association, it also has the money to pay staff and cater to other overheads. Given the lack of traditional donor funding, the village bank has grown to dominate the association to the point that members no longer distinguish between the both of them. Given the challenge of costs, NCDA decided not to run two boards for the society and the bank, opting to merge them. While this saved on costs and supported governance, it helped increase the dominance of the village bank over other activities.

**Learning from Other Initiatives:** Communities are more committed when they can see examples of what they are being asked to do. The visit to Makutano in Yatta by the Chiefs, Assistant Chiefs, and community members during its inception helped them see what could be done. It provided valuable momentum to the establishment of NCDA.

**The Importance of Process:** The process in developing the bank is important. Getting communities to identify their problems as NCDA did through questionnaires on the sub-location level, is important. This needs to be given sufficient time. In the case of NCDA, this took 2 years.

**Community Relationships, Harmony and Values:** Strong relationships with the community are critical to success. Given that the community is more homogeneous and even religious, this has helped increase NCDA's success. Values such as the importance of paying debt have helped support loan repayments.

**Planning is important.** Having strategic plans helps. NCDA has had two strategic plans to guide its activities over the years.

## 4 Conclusion

### 4.1 Conclusion

NCDA is a fully community owned village bank that is the only one of its kind in Ukambani. It currently has a total asset base of Kes 142 million built over 15 years. The bank has a loan book of Ksh 117 million that supports members in farming, business expansion and school fees. The money loaned out is from community savings, which makes it even more remarkable. The icing on the cake is the fact that the shareholders, who are community members, benefit from the dividends. This is something that they look forward to during the Annual General Meeting. Currently, members earn Kes 40 for each Kes 300 share, which is higher than many bigger companies such as Safaricom and Kenya Breweries. It was even higher though in its nascent years with Kes 60 being paid. The bank is run by people from the community and benefits the community.

NCDA has the prospect of registering as a SACCO in 3 years once it achieves Kes 100 million in share capital. It is a shining beacon that communities can develop their financial institutions that are successful in their own right.

### 4.2 Replication: Steps in Setting Up a Village Bank

There are several steps in establishing a village bank.

**Step 1: Secure leadership:** This is crucial in leading the initiative and rallying the community towards the cause.

**Step 2: Involve local administration:** They have significant influence on the ground and getting them involved makes them allies rather than bottlenecks to the idea.

**Step 3: Mobilise communities:** Without the community, the idea will not take off. The community needs to discuss their challenges and needs, propose and embrace the solutions. They need to be part and parcel of the initiative right from its inception.

**Step 4: Learn from other successful initiatives:** Seeing is believing. It pays to provide opportunities to communities to see what others in similar situations have done. Visits to successful initiatives are therefore important. This is effective in selling the ideas to them and getting them to believe in themselves rather than outsiders.

**Step 5: Secure resources to support the initiative:** All initiatives require some form of resources, be they cash or in-kind. These resources can be mobilised in different forms and amounts from the sons and daughters of the community. The more they contribute, the greater the ownership. It increases

their stake in the idea increasing the chances of its success.

**Step 6: Register the organisation:** Registration not only gives it a legal status but also makes it more believable. It is even more important where money is concerned.

**Step 7: Start with what you have:** Use whatever assets you have to get the idea going. Do not wait for money from donors or outsiders to get the idea going. Getting started gives the idea life and increases its support amongst the community.

**Step 8: Maintain transparency and accountability:** This is especially important where money is concerned. Many of the community members are poor and therefore more risk-averse. They cannot afford to lose their money, however little it may appear to others. Maintaining accountability and transparency helps to sell the idea to doubting Thomases.

**Step 9: Provide returns.** Paying something back such as dividends not only maintains group cohesion, but also encourages some of them to continue investing. It also attracts new members who see it as an investment opportunity. It increases the stake in the success of the venture therefore supporting it is eventually sustainable.

## NCDA- A Friend in Need is a Friend In Deed



A smiling Lawrence Kyalo Kaya reflects on his journey with Ndithini Community Development Association -- popularly known as NCDA. The father of four has a lot to be grateful for -- much of which he owes to NCDA. "When I joined NCDA, I had not been well educated and had no money. I had no prospects in life'. Born into a poor family in Machakos County, Kenya, 42 years ago, Lawrence was unable to study beyond primary school, with his studies terminating in standard 8. Despite his burning desire to learn, the lack of fees forced him out of school and into the informal sector. Lawrence recalls surviving off menial jobs, 2 years of which were spent hustling in Nairobi. Life was tough and he struggled to make ends meet.

It was until 2007 when he first heard of NCDA. Inspired by its vision and mission, he joined the society by borrowing and paying Kes 1,200 for membership and just one share. Determined to build his stake in NCDA, Lawrence went on to borrow another Kes 1,200 and subscribed for four shares. From his humble beginning, he is now the proud owner of 417 shares. He is one of the largest NCDA shareholders! Lawrence investment has paid off and he earned dividends worth Kes 16,000 in 2021. The highest amount he has earned from his shares in a year was Kes 24,000. Furthermore, the large shareholding

makes him eligible for Kes 500,000 loans. Lawrence believes that NCDA is a great investment given the returns and is not done by subscribing to shares yet! He plans to significantly increase his stake in NCDA in future.

Lawrence started his first business – a tiny retail shop-- in 2004. It was a challenging business to run due to the low purchasing power of the community, many of whom were just as poor as he was. In 2010, he decided to leave the retail business for his wife and join the enticing boda boda sector. The sector was beginning to gain 'steam' and he, like many others, decided to try his luck. To do so, he borrowed Kes 80,000 from NCDA, which he used to buy a motorcycle. The incomes were good and he was able to repay the loan in one and a half years. That was to be the first of many loans that he has taken in his long and fruitful relationship with NCDA.

Lawrence was to run his boda business for four years before seeking another Kes 300,000 loan from NCDA as he ventured into a new business. He used the money to buy a second hand pick-up that was used to ferry goods for individuals and businesses. The pick-up proved to be a good investment and he was not only able to meet the Kes 17,000 monthly loan installments but take care of his family as well. Lawrence repaid the loan, totaling Kes 369,000 with interest in 1.5 years. He then took another loan to buy a second pick-up. He has since bought and resold pick-ups over the years and is now on his fourth vehicle. In addition, he also has bought a second car – a Nissan Caravan that is also used in business. These have all been financed with loans from NCDA. 'I always have a loan from Ndithini and when I finish paying one, I take another, he quips'. In fact, he is now on his third half a million shilling loan which he will pay back at Kes 610,000 with interest.

Through the loans and business proceeds, Lawrence has also been able to invest in the real estate sector. He has bought and developed two plots in Ndithini, each of which has 8 houses. Lawrence earns Kes 16,000 from one plot and Kes 12,000 from the second if all the houses are occupied in a month. His crowning moment was when he completed building a Kes 2 million-dream home for his family. His dreams do not end there, however. Lawrence plans to build an apartment once he raises Kes 1 million in future!

Lawrence is all smiles and full of gratitude when he talks about NCDA. "Without Ndithini, I would have been very low today'. It has made him who he is. 'Ndithini is a great investment and one should buy shares'. Ndithini is indeed a friend in need and deed!



Asset Building Case Study

# The Corner Stone

Beacon of Hope



## Executive Summary

Beacon of Hope is a Non-Governmental Organisation (NGO) that was registered in 2002. It has since grown to cover programs in health, education and youth empowerment. It capitalises on a holistic approach that supports quality education, spiritual nurture, nutrition, health and protection as components of community transformation. Beacon's Vision is: 'To be a model of excellence in wholesome community transformation'. Its mission is 'To bring hope and catalyse sustainable transformation by uplifting the spiritual, physical, economic and social well-being of vulnerable individuals, families and communities.

Beacon of Hope acquired its land and administration building through an auction for Kes 18 million in Ongata Rongai in Nairobi. It has developed the property over time by mobilising resources to build structures. These include buildings that house; The Beacon of Hope Academy; The Healing Balm Health Centre; Junior Secondary; and the Sifa Guest House. From humble beginnings in a slum, it has been able to develop an impressive asset base that is worth over Kes 800 million.

One key benefit of owning the buildings is that Beacon does not pay rent. This reduces its costs thus making it more appealing to donors. It also enables it to leverage its facilities as contributions to donors' projects. BOH benefits from income from the use of its assets by its social enterprises. It also helps lower the operational costs incurred by these enterprises since they do not need to pay rent. Surpluses from its social enterprises in turn enable BoH to pay for costs that donors do not want to cover. They also help capitalise its endowment fund.

Beacon faces several challenges with the first being in mobilising resources to support the investments. It takes hard work and painstaking effort. However, it now manages the construction of its premises itself, thus bring down costs by 50%. The current inflation is increasing the costs of construction making future development more expensive.

Beacon of Hope has identified and is in the process of acquiring 100 acres of land in Ole Tepesi, Kajiado County at a cost of Kes 35 million. The land will be used to set up a secondary school. 20 acres will be used to develop homes for staff, which they will acquire. It has already paid Kes 7 million towards this new venture. It has also commenced the construction of a new hospital building to provide inpatient services.

The organisation has learned many lessons over the years. One is that engaging and learning from the private sector can provide significant savings. Beacon is now able to construct its structures at 50% of the cost due to practices it has picked up from the private sector. It has also learned to think creatively which enables it to devise and develop cost-saving solutions. BOH has been able to mobilise support from corporations such as Corporate Bank and Nation Newspapers for its buildings. This is something that many NGOs struggle with. According to BOH, if corporations are well sold on the project and believe in the organisation's vision and mission, they will support its asset development.

Unlike many other NGOs that often end up on the wrong end of the stick as far as costs are involved, BOH has been able to develop its assets using a cost-effective approach –many times, developing assets at half the cost. It has partnered with businesses and learned valuable skills that have supported it in its asset development journey. Yet, the journey is far from over. For Beacon of Hope, the sky is the limit.

## 1 Introduction

Beacon of Hope is a Non-Governmental Organisation (NGO) that was registered in 2002. Its initial goal was supporting women living with HIV but has since grown to cover programs in health, education and youth empowerment. Beacon capitalises on a holistic approach that supports quality education, spiritual nurture, nutrition, health and protection as components of community transformation.

Beacon's Vision is: 'To be a model of excellence in wholesome community transformation'. Its mission is 'To bring hope and catalyse sustainable transformation by uplifting the spiritual, physical, economic and social well-being of vulnerable individuals, families and communities.

To implement its vision and mission, BoH capitalizes on the following approach:

- Spiritual Foundation
- Integrated Model Approach
- Partnership
- Collaboration and Networking
- Community Participation
- Innovation, Knowledge Management, and Learning

### Key initiatives by Beacon of Hope include:

**Health:** The Healing Balm, as the health center is known, offers quality, holistic, affordable, and

accessible health care. It focuses on outpatient and emergency services, comprehensive HIV care and treatment. The center also offers minor surgical procedures for community members. The services are affordable but free for those infected with HIV/AIDS.

**Beacon of Hope Academy:** The Academy provides holistic, quality, accessible, and affordable education. It also provides spiritual nurture and nutrition using balanced meals, health and protection.

**Beacon Technical Training Institute (BTTI):** The institute offers courses in hospitality, building and construction, electrical engineering, ICT, Fashion and Design and Hair and Beauty Therapy. These largely target youth, many of whom are from the surrounding communities.

**Youth Empowerment Program:** BoH invests in building new futures by equipping youth to become responsible, productive and contributing members of society. The Wisdom Centre offers knowledge expansion, talent building, enterprise development, recreation, and spiritual nurture.

**Sifa Christian Guest House:** Offers hospitality services including conferencing, accommodation and catering, weddings and receptions.

## 2 Beacon of Hope's Asset Development Journey

### 2.1 The Asset Development Journey: Beacon of Hope

Beacon of Hope acquired land with a building in Ongata Rongai in Nairobi through an auction for Kes 18 million. It has developed the property over time, adding more buildings on the land. The property now includes buildings that house:

- The Beacon of Hope Academy
- The Healing Balm Health Centre
- Junior Secondary
- Sifa Guest House

It is in the process of acquiring a 100-acre piece of land in Oletepesi, Kajiado. This will be used to construct a secondary school as well as support staff homes. It has also commenced the construction of a new hospital building that will provide in-patient care at affordable prices to the neighboring communities. The wing will have a capacity of 16 beds and has

already been accredited by the Medical Practitioners Board.

### 2.2 How it works

Beacon has adopted several practices that have served it well:

**Private Sector Practices:** Engaging and learning from the private sector can provide significant savings. Beacon is now able to construct its structures at 50% of the cost due to practices it has picked up from the private sector.

**Thinking Creatively:** This enables one to come up with cost-saving solutions. For example, working with a laboratory supplier, Achout has enabled Beacon equip its laboratories at one-third of the cost (Kes 400,000 as opposed to Kes 1.3 million)

**Project Management:** Beacon now manages the construction of its premises itself, thus bringing down costs by 50%. Staff play a key role in supporting projects under construction by providing project management services. In doing so, it has been able to apply the project management capacity from the usual development projects to its asset development. Auctions: It pays to keep your eyes open for opportunities. BOH property in Ongata Rongai was bought off an auction. This provided many cost savings as it also came with a building that now houses the administrative block.

**Loans:** BOH does not shy away from using loans to support its development. For example, it has been able to buy school vans using loans from I&M Bank. The payments made by students using them have supported their payment. According to BoH, not everything requires a grant. If there is a strong business case, grants can also support asset acquisition.

**In-Kind Support:** BoH has leveraged in-kind support whenever possible. Organisations and individuals are able to donate materials to support their asset development activities. It has proved that organisations and individuals are willing to provide in-kind support if they believe in the vision and mission of the organisation. This can be in terms of both time and materials.

**Relationships:** Relationships are key in asset development. For example, given the relationships that they had with the contractor when putting up some of their buildings, the contractor completed the work but gave them time to pay the remaining balance of Kes 30 million. The contractor also constructed the building at cost. This was due to the

good relationships they cultivated with the contractor as well as the belief they had in the organisation's cause.

**Corporate Giving:** BOH has been able to mobilise support from corporations such as Corporative Bank and Nation Newspapers for its buildings. If corporations are well sold on the project and believe in the organisation's vision and mission, they will support its asset development.

## 2.3 Successes/achievements

There have been several achievements. These include:

**Assets:** BoH owns land and buildings that host several social enterprises in addition to its administration building. The social enterprises include the Beacon of Hope Academy, Beacon Business Technical Institute, The Healing Balm, Sifa Guest House, administration block, and wedding grounds among others. The property assets are worth over Kes 800 million. The value is even higher if the value of the operational social enterprises were to be included.

**Savings:** The NGO does not pay rent given that it owns its buildings. This reduces its costs thus making it more appealing to donors. It also enables it leverage its facilities as contributions to donors projects.

**Income Generation:** BoH benefits from incomes from the use of its assets by its social enterprises. This enables it to pay for costs that donors do not want to cover in addition to enabling it invest in its endowment fund.

**HELB:** The NGO has a Kes 4 million fund with the Higher Loans Education Board (HELP). This is loaned out to students who then pay it back on completion. The funds are therefore recycled enabling it to educate more students.

**Endowment Fund:** Beacon has been able to build an endowment fund of Kes 30 million from both surpluses of its social enterprises as well as unrestricted funding. The fund is currently managed by its Board.

## 2.4 Challenges

Despite its successes, BOH has faced several challenges. These include:

**Inflation:** The spiraling inflation is affecting the cost of asset development. Other than its original building, now used as an administrative block, BoH has built its structures from scratch. The high cost of materials will slow down its ability to develop future assets.

**Resources:** It is difficult mobilising resource to support asset development. Not many donors are willing to support buildings. However, organisations can still develop their assets if they are determined and creative.

**Covid-19:** Interfered with the process of asset development. This affected the ability of social enterprises to generate funds to support acquisition activities as well as pay loans.

## 2.5 Future plans

BOH has several plans for the future. These include:

**Secondary School:** Beacon of Hope has identified and is in the process of acquiring 100 acres of land in Ole Tepesi, Kajiado County at a cost of Kes 35 million. The land will be used to set up a secondary school. 20 acres will be used to develop homes for staff which they will acquire. Kes 7 million has already been paid as a deposit for the land.

**Hospital:** BOH is building a new hospital building in Ongata Rongai, Nairobi. The facility will support in-patient services and will have 16 beds. It has been accredited by the Medical Practitioners Board. The hospital will be built at a cost of Kes 30 million.

**Endowment Fund:** Beacon plans to further fundraise for its endowment fund. The fund currently has Kes 30 million. It intends to mobilise the resources required to build it into a Kes 2 billion fund in the future.

# 3 Lessons Learned

BOH has learned several lessons over the years. These include:

**Project Management:** Greater involvement in project management can reduce costs by as much as 50%. If the organisation can reduce the middlemen involved in the construction process, then it can save half of the costs required for the development.

**Loans:** Not every development priority needs a grant. Loans can also be used to purchase assets if there is a business case. BOH, has, for example, purchased school buses with loans from I&M Bank. It has finished paying off all but one of the loans despite the challenges occasioned by the Covid-19 pandemic.

**Leadership:** Having visionary leadership is crucial for successful asset development. It is important to

rally the board, staff and other stakeholders towards the vision and show them that it is achievable. The leadership will keep the team inspired even when things do not seem to be working out as planned.

**Private Sector:** Working with the private sector can support greater efficiencies and cost savings. Companies are more conscious about their costs because they can make the difference between profits and losses. Civil Society Organisations (CSOs), however, tend to be more laid back because most of the money they spend is granted rather than earned. There is a lot to learn from the private sector on cost-effective asset development.

**Relationships:** Beacon has learned the value of relationships in asset development. Relationships can open doors as well as provide resources in various forms. These include both cash and in-kind resources. Well-managed, good relationships can lead to significant cost savings.

## 4 Conclusion

### 4.1 Conclusions

Beacon of Hope began an idea promoted by one phenomenal woman. With time, she inspired several other friends to work with her in supporting women living with HIV/AIDS. Over time, it has been able to develop a significant asset base while uplifting the lives of the communities that it works with. The Executive Director is proof of what effective leadership can achieve.

Beacon of Hope has built an enviable asset base from nothing. While working in the slums, it acquired its current property in Ongata Rongai, Nairobi through an auction. The valuable property in the CBD of Ongata Rongai is now populated with various buildings through which it delivers its education, health and other community programs. It is worth at least Kes 800 million when all the developments are considered.

The organisation has now set its sights on a 100-acre piece of land in Oletepesi in Kajiado County. The journey towards acquiring this piece of land has begun in earnest with Kes 7 million of the Kes 35 million required already paid. The land will host its secondary school, staff homes amongst other activities in the future.

Unlike many other NGOs that often end up on the wrong end of the stick as far as costs are involved, BoH has been able to develop its assets using a cost-effective approach –many times, developing assets at half the cost. It has acquired skills in project management that enable it to save costs. It has partnered with businesses and learned valuable skills that have supported it in its asset development journey. BoH is a living testament that with faith, all things are possible!

### 4.2 Replication Step

There are several steps in replicating BOH's journey. These include:

**Step 1: Get Board buy-in.** Without their support, it will not be possible to rally others towards the cause.

**Step 2: Sell the vision to management, staff and other stakeholders.** It is the staff who help the organisation actualise its dreams. Without their support, the asset development journey becomes more difficult.

**Step 3: Think Creatively.** There is a solution to every problem. Focus on the solutions rather than the challenges.

**Step 4: Recruit the right people.** These are critical to the success of any asset acquisition journey.

**Step 5: Just do it.** Asset development requires a leap of faith. You have to start working on something, however small and be determined to see it through.

**Step 6: Work with the private sector.** Engage them in your project and seek their ideas. They can be a great asset especially when it comes to cost savings and securing resources.

**Step 7: Save what you can:** Use your resources responsibly and save whatever you can. Many organisations would be able to develop assets if they used their existing assets wisely.

**Step 8: Do not be afraid to take loans:** If the asset has a good business case, banks will be willing to lend you the money.

**Step 9: Think long-term:** Asset development is a journey that requires time and patience. Do not be in a hurry and bite more than you can chew.



Asset Building Case Study

# Building a **Village Bank**

Okere City

## Executive Summary

The Okere Community Development Project – better known as Okere City, is an ambitious community-based social enterprise on a journey to transform Okere, a sleepy and laid-back village in Otuke District, Northern Uganda into a thriving and sustainable city. Despite its big name, the Okere City project is registered as a community-based organization (CBO) by Otuke District Local Government – underpinning its roots and vision. It is a community-driven movement to transform lives rather than a Kampala-based organization working from the sidelines. As a result, its initiatives are driven by actual community needs and the implementation of project activities led by community members. Its motto is “Yamo Akwo Koddo” which translates to “A Living Wind Blows”. Its vision is ‘creating economically thriving and self-reliant rural households in Okere Parish’.

Okere Village Bank is the financial arm of social businesses operated and supported by the Okere City project. It has invested in several businesses in Okere City. The bank provides several services including mobile money transactions (MTN mobile money and Airtel money), soft loans, agent banking, VSLA activities (Boli-Cap) and airtime purchase. Other services include business advisory and entrepreneurship training and computer services (printing, photocopying and typing)

Through Okere Investment Club, members receive larger loans from the Voluntary Savings and Loan Association (VSLA) activities that enable them to save and borrow to fight financial exclusion. The establishment of VSLA’s was geared towards addressing some of the core challenges related to borrowing in the village. The relatively small loan portfolios of existing VSLAs in the area undermine their ability to provide reasonable credit to many members who would like to borrow. The village bank lends the VSLAs funds that enable them to provide larger loans.

The village bank has however faced some challenges. These include low repayment rates from agricultural-associated activities. Some of these take long periods to register returns thus delaying repayments. There is also limited capital available for lending given the low capital in the bank.

There are several plans for the bank. These include further strengthening Okere Bank and positioning it as the financing arm of the Okere City Project. There are also plans to increase the capital investments in the bank to enable it support more initiatives. This will largely involve leveraging on private sector investors.

Okere City also plans to invest in other exciting prospects and projects in Okere City. Lastly, it will continue to broaden the range of services provided by Okere Bank.

The bank has learned some lessons from both its successes and its mistakes. One is understanding community needs and aspirations is key. Okere Bank succeeded because it listened to the community and invested in projects that matter most to them. The second involves investing in healthy relationships as the springboard for success.

Okere City has set up a unique bank that it is using to mobilise resources for some of its projects. Though it is still relatively small, it is an innovative and potentially sustainable way of ensuring that some of its projects are funded by private capital.

## 1 Introduction

The Okere Community Development Project – better known as Okere City, is an ambitious community-based social enterprise on a journey to transform Okere, a sleepy and laid-back village in Otuke District, Northern Uganda into a thriving and sustainable city. Despite its big name, the Okere City project is registered as a community-based organization (CBO) by Otuke District Local Government – underpinning its roots and vision. It is a community-driven movement to transform lives rather than a Kampala-based organization working from the sidelines. As a result, its initiatives are driven by actual community needs and the implementation of project activities led by community members.

Okere City strives to be a community-based social enterprise that creates multiple opportunities for agrarian reforms and rural transformation in Okere Parish. It does this by encouraging open and forward-thinking, mobilizing, organizing and training the rural populace through a series of innovative initiatives that generate practical solutions for the day-to-day challenges they face. It seeks to undertake, influence and direct holistic rural development initiatives to create socio-economic opportunities for prosperity in Okere Parish, Adwari Sub-county, Otuke District.

The Okere City idea is premised on the belief that using an integrated rural development approach based on social-market economic principles to design and implement community development initiatives can create catalytic rural transformation and sustainable agrarian reforms. This belief is aptly captured in this motto, vision and mission:

**Moto:** “Yamo Akwo Koddo” translates to “A Living Wind Blows”

**Vision:** Creating economically thriving and self-reliant rural households in Okere Parish.

**Mission:** To work with rural households in Okere Parish as partners to access and create economic and social opportunities that will stimulate catalytic, holistic, and sustainable rural development.

## Objectives

Okere City has three key objectives. These are:

- To stimulate holistic and sustainable economic and social development in Okere through partnering with individuals and different rural community groups, leaders, platforms, etc.
- To invest in, consult with, and build the capacity of our partner communities to become economically secure and self-sufficient.
- To create a platform for sharing and disseminating knowledge on sustainable and replicable models of rural development in Africa.

## Values

Okere City is guided by a set of core values and principles that influences its organizational culture and contributes to the achievement of the overall strategic plan. They form the word **P.E.R.T.A.I.N.**

**Partnership:** Okere City promotes collaboration and networking with community members, district authorities and other like-minded development partners. Okere City refuses to use the language “beneficiaries” to describe the people engaged in its projects because the success of its projects necessarily hinges on collaboration with rural communities its partners with.

**Efficiency:** Okere City strives to achieve maximum impact using minimal resources, by utilizing and building on existing assets.

**Respect:** It treats all its partners with dignity and honor by giving them time, space and any kind of platform to fully express themselves. This respect entails humility, patience, and collaboration.

**Timeliness:** Okere City strives to conduct all project and research activities in a timely and accountable fashion.

## Inspiration

*In years to come, our rural transformative journey will be a lesson to the whole world because we took a leap of faith, risked, and invested in our people because from the beginning, we knew it was the only path towards prosperity. And that when we look back at that time with our wrinkled faces or gentle souls, we shall rejoice and be glad well knowing that we did all that was within our means to empower our people to exploit as many opportunities as possible and realize their fullest potential on the road to economic and social freedom.*

**Accountability:** It strives to ensure openness, honesty, and transparency to all partners, stakeholders and the development community at large.

**Innovative:** Its holistic approach to community development brings together the resources required for innovative solutions to address endemic poverty. Its innovativeness is driven by research and understanding of the complex realities that rural communities that it works with go through.

**Non-Discrimination:** Okere City does not discriminate against anyone based on age, sex, gender, race, religion, political affiliation, or physical ability.

Just like all other villages in Otuke District, the suffering inflicted by both the LRA war and the Karamojong cattle raids have been disastrous. The human and material losses incurred by the people can never be quantified. However, what is certain is that, for decades, households and individuals have never been able to fully or even partially recover from such losses.

Because of these political and civic instabilities, Otuke district remains one of the most undeveloped parts of northern Uganda in general and the Lango sub-region in particular. Among other disadvantages, high illiteracy rates, bad roads, inadequate access to water, and sanitation facilities make life in the area

nightmare for the majority. This is also coupled with extreme weather conditions - such as prolonged drought, which is a common occurrence.

To date, Okere City has created authentic relationships with the community in which it is domiciled. In addition, it has been at the forefront of implementing several initiatives that focus on early childhood development promotion; ensuring access to clean and safe drinking water; bringing basic grocery goods and services closer to the people; environmental conservation through community forestry projects and campaigns against cutting down of natural trees, among others. In doing so, it is transforming this sleepy and laid-back village, one-step at a time.

## 2 Okere City's Village Bank

### 2.1 The Village Bank

A Village Bank has an important role in accessing communities in rural areas to financial services. These services are important in the social and economic lives of communities and can influence their development. For Okere City, having accessible and effective financial services is important for the development of Okere Parish. Village banks can capitalise on Voluntary Savings and Loan Associations (VSLAs) activities and offer small loans amongst other services. With time, village banks can grow into microfinance institutions and eventually banks.

VSLAs are not new to Okere Parish as they have been there since efforts began to reconstruct the region following the war with the Lord's Resistance Army. However, the first VSLA associated with Okere City was established following a visit to Okere Community School by the area Member of Parliament, Hon. Silvia Akello. She contributed UGX 500,000 to the parents, which was used as seed money to launch Okere Investment Club with 50 members.

### 2.2 How it Works

#### Okere Investment Club

Groups of community members in Okere parish have over the years established VSLA activities that enable them to save and borrow. The use of VSLAs is geared towards addressing some of the core challenges related to financial exclusion in Okere. For the VSLAs to function effectively, members have to be committed to attending meetings and saving. The relatively small loan portfolios of existing VSLAs in

the area however undermine their ability to provide reasonable credit to many members who would like to borrow. Through Okere Investment Club, members receive larger loans given that the groups can borrow from the bank thus providing additional resources that they can use to lend to their members.

Group members can borrow up to UGX 100,000 which has to be repaid in 2 months at an interest of 2%. Members interested in benefiting from loans have to communicate this to the group at least a week in advance to ensure that the funds are available. They also have to provide an asset as security, which could be a bicycle or livestock such as cows and goats. This act as collateral to cover any loans in the case of default. Loans are taken for various reasons including agriculture and business.

#### The Village Bank

Otuke District is severely underserved by financial institutions as well as mobile money banking services. Only 5% of the population have bank accounts denying them banking services such as savings and credit. The vacuum has been filled by VSLAs (known as boli-cap in the local Leb Lango dialect) to which 97% of the population belongs. The popularity of VSLAs can be traced to the activities of NGOs following the defeat of LRA in Northern Uganda. It was used as a livelihood-strengthening strategy and became successful given its compatibility with the communities cultural dynamics.

Up to 88% of the population in Otuke district own or have access to a mobile phone. However, mobile phone coverage is also poor. Furthermore, while most people have access to mobile phones, reaching a mobile money agent is a difficult task. Before Okere Village Banks was established, one had to travel up to five kilometers to access the service or wait for one week to conduct mobile money transactions during the Pat Oali Market day. In addition to this challenge, mobile money agents could not make total transactions that exceeded their float of UGX 200,000. This meant that many community members failed to conduct mobile money transactions once the float ran out. The village bank sought to address this challenge by offering mobile money transaction services throughout the week.

Established in 2021, the bank seeks to serve a wide range of financial services needed to address rural development challenges in Okere and other neighboring villages. Okere Village Bank is the financial arm of social businesses operated and supported by the Okere City project. It has invested in several businesses in Okere City.

The bank provides several services including:

- Mobile Money Transactions (MTN Mobile Money and Airtel Money)
- Soft Loans
- Agent Banking
- VSLA Activities (Boli-Cap)
- Airtime Purchase
- Business Advisory and Entrepreneurship Training
- Computer Services (Printing, Photocopying and Typing)

Okere City owns 51% of the shares in the village bank. The village bank offers loans at affordable interest rates of 12.5%. Community members can borrow up to US\$ 500 while a VSLA can borrow up to US\$ 1,000.

### 2.3 Benefits

There are several benefits of the village bank:

**Financing Okere City:** The bank has supported investments in Okere City. For example, it has invested in Okere Shea Cooperative where it owns 51%. It has also invested in several other businesses including the supermarket thus improving the quality of life of the residents of Okere.

**Promoting Savings:** The VSLAs encourage community members to save. This in turn mobilizes funds for investment in the community whether it is on business, agriculture, or personal projects.

**Access to affordable credit:** Okere Village Bank enables community members to access affordable credit with fewer requirements. It has been able to ride on the VSLAs to increase access to credit.

**Supporting Business Development:** The bank lends to small businesses thus enabling their development. This will improve their growth prospects thus supporting the growth of Okere City.

**Supporting Agricultural Development:** The bank has previously supported agricultural development in Okere City through loans. These are riskier and more problematic given the time required to repay as well as the rigors of climate change in a semi-arid area.

**Increasing loan sizes:** VSLA members can benefit from larger loans as a result of capital from the village bank. Okere Bank lends to the VSLAs that can then provide larger loans to their members.

### 2.4 Achievements

Okere Bank already has several achievements. The bank's achievements include:

**Support to VSLAs:** Okere supports 10 groups comprising 30 members each to conduct voluntary savings and lending (VSLA) activities.

**Incomes:** The loan have increased household incomes by an average of 60% thus supporting livelihoods.

**Loans to strategic businesses:** The bank has invested 41,000,000 UGX (USD 11,000) in 6 social businesses, namely; Okere Barbershop, Okere Farm Produce, Okere Animal Farm, Okere Mobile Money Outlet, VSLA activities, and Okere Supermarket. On average, each business has received a soft loan of UGX 6,000,000.

**Diversification of Products and Services:** The 6 businesses supported by Okere Village Bank have provided different products and services to thousands of clients.

**Increased formal employment:** 80 people have been directly employed by these businesses with the signs being that more people will benefit.

### Challenges

Okere Bank faces some challenges. These include: Low repayment rate from agricultural-associated activities: By December 2021, only 15% of the loans had been repaid. The low repayment rate can be blamed on the fact that most of the funds were invested in biological assets such as cattle and farm produce which had not yet been sold. The low repayment rate is also attributed to the fact that drought affected 90% of the maize seed given on credit to 200 farmers who are members of the VSLA groups. Otuke district is an arid and semi-arid.

Limited capital for lending. This is tied to the low capital in the bank. There is a need to increase the capital to increase the bank's impact on Okere City. While the bank has supported some businesses as well as the cooperative, the amount it can lend is still fairly low.

### 2.5 Future Plans

The bank has several plans for the future. These include:

**Further strengthening Okere Bank and positioning it as the financing arm of the Okere City Project.** This will increase its capacity to support the development of Okere City. It will involve developing its systems, structures and human resources. The bank will also require stronger branding and visibility.

**Increase the capital investments in the bank to enable it to support more initiatives.** This will largely involve leveraging private sector investors to inject more capital into the bank. At the moment, the bank has a low capital base that is not sufficient to support the dreams and aspirations of Okere City.

**Invest in other exciting prospects and projects in Okere City.** Okere will identify other initiatives that can support the development of the city while solving problems and meeting the needs of the population. The bank remains a key source of investment capital given the general poverty in the area.

**Broaden the range of services provided by Okere City.** Diversifying the range of services will contribute to the profitability and sustainability of the bank while ensuring the development of Okere City. It will support increased financial inclusion for the people of Okere Parish.

## 3 Lessons Learned

Okere City has learned many lessons over the years some of which include:

**Understanding community needs and aspirations is key.** Okere City succeeded because it listened to the community and invested in projects that matter most to them. It has responded to their needs in a way that few other organisations have.

**Investing in healthy relationships is key to success.** Okere City has established relationships with multiple actors including the community, government, elected leaders, the private sector and other NGOs. This has enabled it to leverage relationships for success. Development requires partnerships and cannot be achieved by one solitary actor.

**Regular meetings and reflections help to address problems as they come.** Developing effective solutions to emerging problems has been a strength for Okere City. This has entailed regular consultations with the community.

**Involving women.** Okere has learned that involving women is key to the success of many initiatives such as the village bank. They are also the bedrock of development and it is important to invest in them as well.

## 4 Conclusion

### 4.1 Conclusion

Okere City has set up a unique bank that it is using to mobilise resources for some of its projects. Though it is still relatively small, it is an innovative and

potentially sustainable way of ensuring that some of its projects are funded by private capital.

The bank takes a significant part of the shares of the businesses in which it invests. For example, it owns 51% of the shares of the Okere Shea Cooperative. With this approach, it can finance activities that many donors may not have been willing to.

The Village Bank, despite its promise, is still heavily undercapitalized. Its success will largely be defined by the ability of Okere City to attract other investors to increase its capital base.

### 4.2 Steps in Setting Up a Village Bank

There are several steps in establishing a village bank.

**Step 1: Secure the leadership:** leadership is critical to the success of any initiative. Unless there is leadership that stakeholders trust, the initiative is unlikely to make headway. In the case of Okere Bank, this leadership is provided by the Executive Director of Okere City.

**Step 2: Listen to the community and understand their needs:** For the social enterprise to be sustainable, it needs to respond to real needs. It is these needs that provide opportunities to the village bank. In the case of Okere Bank, while some services may seem odd, they are in response to the challenges the community faces. This in turn has provided opportunities to the bank for some simple services such as mobile money transactions, training amongst others.

**Step 3: Secure resources:** Thought needs to be given to where the resources that will capitalise the village bank will come from. Some of the investment of Okere Bank has come from private individuals who believe in the bank and its future.

**Step 4: Register the organisation:** Registration is an important part of gaining some credibility. In the case of Okere Bank, it benefits from the registration of Okere City as a CBO. This provides it with credibility because the community believes that it is accountable to the government.

**Step 5: Maintain transparency and accountability:** This is critical for any initiative where funds are involved. Communities will be hesitant to save and even invest their money unless they trust the bank. Transparency and accountability contribute to this.



## Asset Building Case Study

# Asset Acquisition: One Building at a Time

Uganda Community Based Association for Women and Children Welfare (UCOBAC)

## Executive Summary

Uganda Community Based Association for Women and Children Welfare (UCOBAC) is a non-partisan, non-governmental organization dedicated to promoting and improving the socio-economic welfare of the most vulnerable individuals, families and communities in Uganda. For its vision, 'UCOBAC envisions empowered communities free of poverty and able to exercise their Human Rights and Fundamental freedoms'. UCOBAC currently operates in 11 districts of Uganda, including Kampala, Mityana, Mubende, Bugiri, Hoima, Kyankwanzi, Pader, Butaleja and Lamwo.

UCOBAC targets to attain a degree of sustainability that ensures that it can continue operations even when it does not receive donor funds. It has therefore been working towards this goal since 2018. It owns three buildings in Mbuya, Kampala and another in Bugiri, mid-western Uganda. UCOBAC generates UGX 144 million annually from the buildings that it rents out in Kampala. UCOBAC is therefore not entirely dependent on donor funding and it has been able to survive without it in the past. With office ownership, it does not pay rent. It also allows UCOBAC to leverage its office space in mobilising resources from donors. The funds are unrestricted and therefore can be used to support administrative costs, retreats and governance.

While it has big ideas for achieving sustainability through asset ownership amongst other strategies, mobilizing funds from donors to support buildings is challenging. Donors are often not willing to support brick-and-mortar investments.

UCOBAC has learned many lessons over the years. One of them is the importance of having savings that support your investment priorities. UCOBAC used its savings to purchase the Bugiri property. It was also crucial in convincing a donor to support the Kampala buildings that house its headquarters. Secondly, it is important to develop a strong case for donor support if you intend to secure the assets. Donors are more willing to support you if you are also substantially investing in the asset. This was the case with its Kampala buildings.

There are no shortcuts to asset building. While a few organisations get lucky to have a donor acquire and or build premises for them, for UCOBAC, it has been a combination of strategies that have worked for it.

## Core values

- **Honesty**
- **Excellence**
- **Integrity**
- **Volunteerism**
- **Transparency**
- **Accountability**

## 1 Introduction

Uganda Community Based Association for Women and Children Welfare (UCOBAC) is a non-partisan, non-governmental organization dedicated to promoting and improving the socio-economic welfare of the most vulnerable individuals, families and communities in Uganda. UCOBAC seeks to identify and define the needs of vulnerable women and children while strategically developing programs that address priority areas. As for its vision, UCOBAC envisions empowered communities free of poverty and able to exercise their Human Rights and Fundamental freedoms. Its mission seeks 'To improve the welfare of women and children using community-based initiatives.'

### Objectives

UCOBAC's objectives are:

- To identify and define vulnerable women and children, their needs and priority programs.
- To advocate for women's and children's rights.
- To plan, design and implement programs to promote women's and children's welfare.
- To enable the local communities to acquire and sustain the capacity to plan, obtain and manage resources that will improve the welfare of women and children.
- To strengthen the capacity of Community-Based Organizations (CBOs) to meet their objectives in improving the welfare of women and children.

### Program Areas

UCOBAC currently operates in 11 districts of Uganda, namely; Kampala, Mityana, Mubende, Bugiri, Hoima, Kyankwanzi, Pader, Butaleja and Lamwo. Its programs cover:

- Orphans and other Vulnerable Children (OVC)
- Sexual and Reproductive Health Rights (SRHR) and Gender Based Violence (GBV)
- Women's Land and Property Rights (WLPR).

Food Security, Livelihoods and Climate Change Resilience (FLCCR)

## 2

# Asset Building the UCOBAC Way

## 2.1 Introducing UCOBAC Asset Building

UCOBAC targets to attain a degree of sustainability that ensures that it can continue operations even when it does not receive donor funds. It has therefore been working towards this goal since 2018.

UCOBAC has invested in several buildings. These include

- Three buildings in one location in the Kampala suburbs of Mbuya, one of which houses its offices.
- One building in Bugiri. It was purchased for UGX 30 million but is now worth UGX 150 million

## 2.2 How it Works

The investment capital came from three key sources:

- **Revolving Fund:** UCOBAC used to run a revolving fund, with the support of a Finish donor for 15 years. The fund was based on a business model, which generated some interest for UCOBAC. The money was saved and was used to invest in the buildings.
- **Donor Support:** UCOBAC was supported by the Jewish World Service for 8 years. At the culmination of their support, they agreed to support the organisation in acquiring its own offices to support its sustainability. UCOBAC argued that it has some resources but these were not sufficient to purchase office space. If it could be supported, it meant that it would not have to pay rent and could survive even without donor income. The donor contributed UGX 120 million towards the initiative.
- **Savings:** It was able to buy its Bugiri offices from savings. These were used to buy a strategic home that was on sale. It cost the organisation UGX 30 million.
- **Rent.** The organisation earns income from its rental properties. It generates UGX 6 million each per month from the buildings that it rents out in Kampala. This amounts to UGX 12 million per month and UGX 144 million per year. Some of these funds supported the purchase of the Bugiri premises

UCOBAC has been able to accumulate capital from a variety of sources to support its asset acquisition.

## 2.3 Achievements

UCOBAC has several achievements arising from its investment activities. These include:

**Property:** It owns three buildings in Mbuya, Kampala and another in Bugiri, mid-western Uganda.

**Income:** The organisation earns income from its rental properties. It generates UGX 6 million each per month from the buildings that it rents out in Kampala. This amounts to UGX 12 million per month and UGX 144 million per year.

**Rent:** It does not pay rent due to its office ownership. This saves it at least UGX 6 million per month for Kampala alone.

**Sustainability:** The organisation has been able to survive without donor funding in the past and is therefore not entirely dependent on donor funding. The revenues from the rental of property in Kampala contribute to its sustainability.

**Unrestricted:** The funds are unrestricted, unlike traditional donor funding. The funds are used to support administrative costs, retreats and governance.

## 2.4 Challenges

Like any other development organisation, UCOBAC has its share of development challenges. These include:

**Resources:** It is challenging mobilising resources to invest in physical assets. Donors are not interested in supporting brick-and-mortar investments. Only one of UCOBAC's donors has supported its assessment development activities to date.

**Covid 19:** The pandemic undermined resource mobilisation. It also forced the organisation to use some of its savings to keep afloat.

## 2.5 Future Plans

The organisation's future plans include:

**Additional Investments:** UCOBAC will seek to continue investing in additional buildings that generate funds and improve its sustainability prospects. The Covid-19 pandemic was a warning that donor funding can be fickle and can vanish overnight. Organisations need to secure non-donor income if they are to become sustainable.

**Continue Saving:** UCOBAC will continue building its savings for future use. Savings enable the organisation to capitalise on investment opportunities as they arise.

## 3 Lessons Learned

UCOBAC has learned several lessons over time. These include:

**Developing a case:** UCOBAC was able to argue a strong case for donor support in enabling it to secure the additional resources that were required to purchase its Kampala assets. Donors need a lot of convincing to invest in office space and it pays to spend time developing a strong case.

**Donor Support:** If donors appreciate your work and are interested in your sustainability, they are willing to invest in it. What also helped UCOBAC's case was that it had done a great job in implementing projects over 8 years and the donor was keen in supporting its sustainability. It was easier selling the idea to a donor, who had worked with UCOBAC and knew and valued its work than one who had no prior relationship with it.

**Keep Your Ears Open.** It's important to keep our ears open for emerging opportunities. For example, the property in Bugiri was purchased following a tip from the local administration. It ended up being a strategic purchase.

**Generating Income:** UCOBAC was able to earn interest from a well-run revolving fund initiative that provided some of the capital that was required for the Kampala buildings. It was able to leverage its good performance to mobilise some capital. If non-profits capitalise on opportunities offered by some of the initiatives that they implement, they can mobilise some resources that support their asset-building aspirations.

**Savings:** It is important to have savings that support your investment priorities. UCOBAC used its savings to purchase the Bugiri property. It was also crucial in convincing a donor to support the Kampala buildings that house its headquarters.

## 4 Conclusion

### 4.1 Conclusion

Achieving sustainability is a key target for many organisations. One key aspect of this is having a 'home' that is rent free thus providing security of tenure even when donor funds are unavailable. This was a long-term dream for UCOBAC that was finally realized in 2018 with the acquisition of three buildings in a strategic suburb of Kampala. This not only freed it from the burden of paying rent but also enabled it to generate additional income.

There are no shortcuts to asset building. While a few organisations get lucky to have a donor acquire and or build premises for them, for UCOBAC, it has been a combination of strategies. Its income from the revolving fund, savings culture and support from an existing donor who appreciated its work and was willing to top up its resources. The combination of all these resources made all the difference in fulfilling its Kampala office dream. UCOBAC has since bought additional premises in Bugiri from savings. Its asset-building dream does not end there. It seeks to continue investing assets in the future to ensure that it is sustainable. As the Chinese say, the journey of a thousand miles begins with one step.

### 4.2 Replication Steps

There are several steps an organisation can use in asset development. These include:

#### **Step 1: Decide on your asset-building strategy:**

The organisation needs to define the kind of assets that it seeks to acquire as well as the time frame.

**Step 2: Secure Board support:** Without the support of the Board, the organisation will not be able to invest in assets.

**Step 4: Rally staff towards the goal:** Staff plays a key role in enabling the organisation to acquire assets. They are key to enabling the organisation secure capital to finance asset development or acquisition.

**Step 5: Capitalise on existing activities to generate capital:** Most organisations have one or more activities that can help to build up their capital base. It is important to seek cost savings and generate income wherever possible. Small savings and earnings eventually build up and become sizeable enough to invest in physical assets.

**Step 6: Save funds to support your strategy:** A savings culture is important for capital acquisition. The organisation needs to build up its reserves. Donors are more willing to listen to organisations that have amassed some capital to support their goals.

**Step 7: Do not be afraid to ask your donor partners for support:** While few donors are interested in

supporting capital costs, it does not hurt to ask. Donors who know you and appreciate your work may be willing to help. You never know until you ask.

**Step 8: Look out for investment opportunities.** Keep your ears open: Some of the best opportunities will come unexpected.





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