

# FINANCIAL GRADUATION FEASIBILITY STUDY

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Prepared by

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**This report was commissioned by FSD Kenya. The findings, interpretations and conclusions are those of the authors and do not necessarily represent those of FSD Kenya, its Trustees and partner development agencies.**



The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). Current funders include the UK's Department for International Development (DFID), the Swedish International Development Agency (SIDA), and the Bill and Melinda Gates Foundation.



# Table of contents

<b>TABLE OF CONTENTS</b>	<b>I</b>		
<b>FIGURES AND TABLES</b>	<b>II</b>		
<b>ACRONYMS</b>	<b>III</b>		
<b>Chapter 1</b>			
<b>INTRODUCTION</b>	<b>1</b>		
1.1 Study approach and report outline	1		
1.2 Outline of the report	1		
<b>Chapter 2</b>			
<b>UNDERSTANDING FINANCIAL GRADUATION</b>	<b>2</b>		
<b>IN NORTHERN KENYA</b>			
<b>Chapter 3</b>			
<b>FINDINGS FROM FIELD WORK – VALUE CHAINS</b>	<b>5</b>		
<b>AND MARKET DEVELOPMENT</b>			
3.1 Marsabit and Turkana Counties – market challenges and opportunities	5		
3.2 Marsabit – market and economic development opportunities	6		
3.3 Turkana – market and economic development opportunities	8		
<b>Chapter 4</b>			
<b>FINDINGS FROM FIELD WORK – HOUSEHOLD</b>	<b>10</b>		
<b>AND COMMUNITY MARKET ENGAGEMENT</b>			
4.1 Savings groups	10		
4.2 Savings groups – benefits and limitations	10		
		4.3 Other group structures	11
		4.4 Challenges and limitations for group structures in northern Kenya	13
		<b>Chapter 5</b>	
		<b>FILLING THE GAPS TO FINANCIAL</b>	<b>16</b>
		<b>GRADUATION IN NORTHERN KENYA</b>	
		5.1 Towards a financial graduation model	16
		5.2 Filling the gaps in the model	17
		5.3 Proposed intervention 1: Expand and support groups structures using self-help model	18
		5.4 Proposed intervention 2: Develop local, high-quality commercial and technical training courses	19
		5.5 Proposed intervention 3: Develop commercial and technical training agent models and expand coverage	21
		5.6 Proposed intervention 4: Trial community self-learning via computers	22
		<b>Chapter 6</b>	
		<b>CONCLUSIONS AND RECOMMENDATIONS</b>	<b>25</b>
		<b>Annexes</b>	
		<b>LIST OF INDIVIDUALS AND ORGANISATIONS</b>	<b>27</b>
		<b>CONSULTED AND INTERVIEWED</b>	
		<b>INTERVIEW QUESTION CHECKLISTS</b>	<b>29</b>

## Tables and figures

### FIGURES

Figure 1	Economic strengthening pathway	2
Figure 2	HEA thresholds compared to total income and production levels	4
Figure 3	Balance of payments between Turkana/Marsabit and the rest of Kenya	6
Figure 4	Financial graduation model highlighting barriers to market engagement	17

### TABLES

Table 1	CoBRA assessment findings 2013: Characteristics of resilient households interviewed	8
Table 2	Issues explored in consultations and field work	8
Table 3	Key similarities and differences between SGs and SHGs	

# Abbreviations

<b>ASALs</b>	Arid and semi-arid lands	<b>HEA</b>	Household Economy Analysis
<b>BMU</b>	Beach Management Unit	<b>HSNP</b>	Hunger Safety Net Programme
<b>CBO</b>	Community Based Organisation	<b>IGA</b>	Income generating activity
<b>CCA</b>	Climate Change Adaptation	<b>IGAD</b>	Intergovernmental Authority for Development
<b>CoBRA</b>	Community Based Resilience Analysis	<b>KSH</b>	Kenyan Shilling
<b>COSALO</b>	Community Savings and Loans Organisation	<b>LMA</b>	Livestock market association
<b>CRS</b>	Catholic Relief Services	<b>MKU</b>	Mount Kenya University
<b>CSR</b>	Corporate Social Responsibility	<b>NGO</b>	Non-governmental organisation
<b>DFID</b>	Department for International Development	<b>NIB</b>	National Irrigation Board
<b>DRR</b>	Disaster Risk Reduction	<b>REGAL-AG</b>	Resilience and Economic Growth in the Arid Lands – Accelerated Growth
<b>FAO</b>	Food and Agriculture Organisation	<b>REGAL-IG</b>	Resilience and Economic Growth in the Arid Lands – Improving Resilience
<b>FBO</b>	Faith Based organisation	<b>SG</b>	Savings Group
<b>FEWSNET</b>	Famine Early Warning Systems Network	<b>SHG</b>	Self-Help Group
<b>FFA</b>	Food for Assets	<b>SILC</b>	Savings and Internal Lending Community
<b>FH</b>	Food for the Hungry	<b>VFM</b>	Value for money
<b>FSD</b>	Financial Sector Deepening Trust	<b>WFP</b>	World Food Programme
<b>GDP</b>	Gross Domestic Product		
<b>GoK</b>	Government of Kenya		



## Chapter 1

# INTRODUCTION

This study was commissioned by the Financial Sector Deepening (FSD) Trust in Kenya to examine opportunities to support a financial graduation model, targeting the extremely poor and food insecure who receive cash transfers under the Hunger Safety Net Programme (HSNP). Specifically, the study team proposed to:

- Analyse the opportunities and challenges of delivering a market-led financial graduation model in northern Kenya;
- Examine the feasibility and viability of taking forward the recommendations of the “Markets and Poverty in Northern Kenya – Towards a Financial Graduation Model” report (Elliott and Fowler, 2012); and
- Use findings to consider the feasibility of implementing financial graduation programming by FSD in northern Kenya.

Elliott and Fowler (2012)<sup>1</sup> reviewed and compared former and existing financial graduation programmes globally. Their report established the most relevant strategies for FSD and key lessons learned; analysed the poverty profiles of HSNP recipients; explored the livelihood and market contexts across the four northern districts targeted under HSNP; and reviewed key livestock and non-livestock related value chains in northern Kenya, ranking the potential of these value chains for development and strengthening. The study recommendations were as follows:

- Consider how to support essential market functioning conditions in northern Kenya as a prerequisite to interventions which encourage the poorest to depend more heavily on their engagements with markets.
- Combine meso-level interventions that stimulate and expand markets in northern Kenya (e.g. market hubs, supporting petty trading) with micro-level interventions which support the poorest to access new opportunities which improved market conditions might bring. A generalised financial graduation model is unlikely to be successful.
- Support savings group (SG) programming and its integration into other interventions.
- Support the development of value chains which are complementary across different members of the household, while also supporting the development of financial products for dynamic value chains for households as they become more financially stable and able to engage in riskier activities.

### 1.1. STUDY APPROACH AND REPORT OUTLINE

Given the two-month timeframe of the feasibility study, it was agreed work

would focus on two of the four HSNP counties, Turkana and Marsabit. The following work has been undertaken to date:

#### i. Literature review and stakeholder mapping

The consultants examined all recent FSD studies relating to the HSNP counties. Both consultants are very familiar with the context of northern Kenya and the key actors working in the county, particularly in the areas of value chain development, livelihoods and food security. Using these contacts, it was relatively straightforward to map out the key players in each county. In addition the team were able to draw on other recent field research in Turkana and Marsabit examining community level resilience to drought and other shocks.

#### ii. Field work

A consultant visited both Marsabit and Turkana counties and interviewed a wide range of individuals, community groups and stakeholder organisations. A full list of consultations is included as Annex 1. Consultations focused on examining:

- Opportunities and constraints in the development of markets and value chains in both counties; and
- The nature of group structures by which the poor access financial services or engage in markets in both counties.

#### iii. Nairobi-level consultation

Many of the field work findings and subsequent programming ideas were presented and discussed with various stakeholders in Nairobi. This provided the opportunity to examine how far proposed interventions are being undertaken or even considered by actors, other than FSD. This remains an area for possible continued follow up.

### 1.2. OUTLINE OF THE REPORT

This report is structured as follows:

- Section 2 examines the term “financial graduation” in the context of northern Kenya;
- Section 3 sets out the findings of the field work in terms of county-level market opportunities;
- Section 4 sets out the findings of field work in terms of household- and community-level financial inclusion and market engagement;
- Section 5 examines which of Elliot and Fowler’s recommendations can be included in a financial graduation model and proposes a set of interventions to fill the key gaps in the model; and
- Section 6 summarises conclusions and recommendations.

<sup>1</sup> Elliott, H., & Fowler, B., (2012) Markets and poverty in Northern Kenya: Towards a Financial Graduation Model-FSD Kenya

## Chapter 2

# UNDERSTANDING FINANCIAL GRADUATION IN NORTHERN KENYA



Source: Fowler and Endalamaw, 2011: 4

According to the FSD report referenced above, the term “financial graduation” refers to ‘graduation from dependency with the poorest households’. This definition implies that once a household has passed a threshold of independence, it will no longer require assistance. However it does not explain what this threshold is or how a household’s graduation over the threshold could be established. The report also refers to an economic strengthening pathway, which helps to define a transgression out of poverty and economic vulnerability, towards expanded household income and coping capacity (see Figure 1). As a conceptual model, this is perfectly valid; however, translating such theory into actual programming presents challenges. Ideally this should necessitate defining precisely what financial graduation looks like in reality, in any particular context. For example how much household income is required monthly or annually for graduation to have occurred?

In this respect “financial graduation” is highly similar to two other regularly cited development concepts in northern Kenya: “resilience” and “food security”. Resilience can be broadly defined as a household that can cope with shocks and crises without external assistance. Similarly a food-secure household is one that has ensured access to safe, sufficient and nutritious foods at all times, again, ideally without external existence<sup>2</sup>. Both of these terms suffer from high levels of conceptualisation but limited clarity as to how they manifest themselves at the household level in reality.

Many argue that such terms cannot be defined as absolute or universal end states and that definitions of resilience, financial security or food security can only ever be relative and contextually specific. This is because the northern Kenyan context is highly dynamic and subject to regular climatic hazards such as drought and other external shocks. Consequently household food production and incomes are rarely stable and suffer severe seasonal and

annual fluctuations and, as a result, a household that may be considered food or financially secure in one year may not be able to maintain this status in all years.

This may be true and certainly complicates the development of a practical definition of graduation or resilience; nonetheless, without clarity as to what such households look like, it is difficult to develop effective programming. In other words, if you don’t know where you’re going, how can you possibly work out the best way of getting there?

For this reason, it is important – despite the challenges – to examine how financial graduation (and implicitly, resilience and food security) could be defined at the household level, and subsequently measured, as an end state in northern Kenya. In addressing this issue, attention is drawn to the following:

- Community Based Resilience Analysis (CoBRA) assessment results; and
- The Household Economy Approach (HEA).

**Community Based Resilience Analysis:** The CoBRA methodology has recently been developed to define and measure “resilience” among drought affected communities in the Horn of Africa<sup>3</sup>. CoBRA assessments have been undertaken in four separate locations in Kenya (including Turkana and Marsabit) and Uganda. In each, communities were asked to define and prioritise the characteristics of a resilient community i.e. those that cope well through disasters like drought and flood and still manage to eat well, send children to school, etc.<sup>4</sup> In addition, focus group participants were asked to

<sup>2</sup> There are many varied definitions developed by different agencies for both ‘resilience’ and ‘food security’; simplified versions have been adopted here.

<sup>3</sup> CoBRA is a conceptual model and methodology developed under the framework of Humanitarian Aid and Civil Protection Department of the European Commission’s Drought Risk Reduction Action Plan in Dry lands, Commissioned by UNDP Development Centre in April 2013 – [www.disasterriskreduction.net/drought-online/cobra/en/](http://www.disasterriskreduction.net/drought-online/cobra/en/)

<sup>4</sup> This emerged as the “plain-speak” definition of “resilience” by communities

describe the characteristics of households that are more resilient compared to others; i.e., the households that have already attained many (or all) of the community-identified resilience characteristics. The top characteristics of a resilient household, cited consistently by focus groups across all four locations, include:

- *Households that have a business or income generating activity;*
- *Households in which a member has employment/wage labour;*
- *Households that have a large herd size; and*
- *Households that have a large farm.*

The top three characteristics were uniformly mentioned in all locations, almost to the exclusion of all others. They are all related to a combination of income and assets and reflect the importance of diversifying risk, in the form of either alternative and reliable forms of income or large asset holdings (i.e., herds) that allow a family to absorb/mitigate the impacts of shocks and stresses. Communities were asked to identify two “resilient” households in each survey site, members of which were then interviewed in more depth. A total of 159 resilient households were interviewed in the four study locations. These interviews confirmed the communities’ perceptions regarding multiple income sources and also highlighted the connection between greater income and asset bases and higher levels of education. Key findings are summarised in Table 1 below:

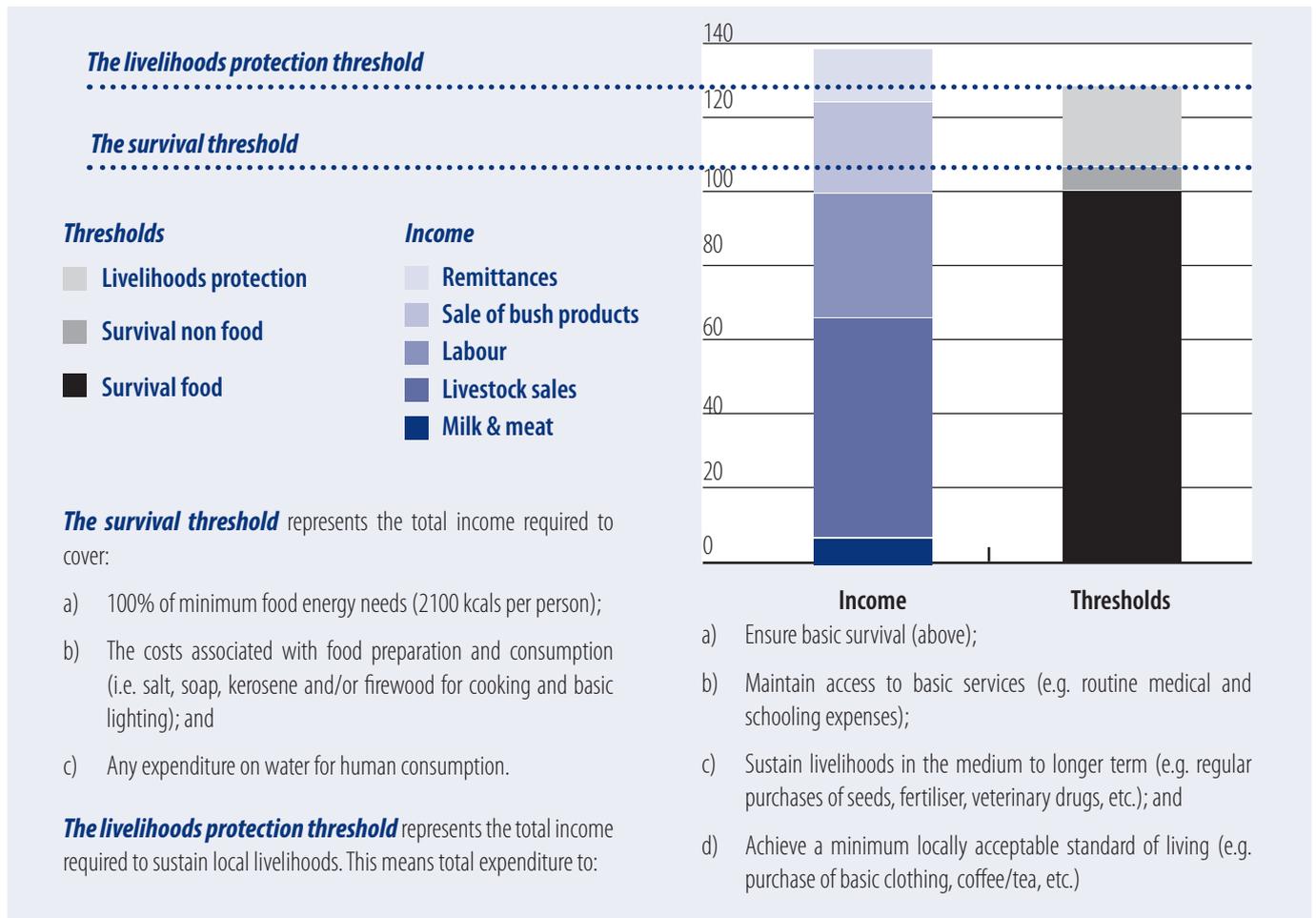
A key issue is the strong linkage between financial security and resilience. Effectively resilient households would appear to have graduated to a financially secure situation when household production, income, and assets are sufficient to withstand the adverse effects of external shocks and hazards. This link between resilience and financial graduation is important but fails to provide a quantifiable measure enabling objective assessment as to when such a state has been achieved.

**Household Economy Approach (HEA):** One of the most comprehensive monitoring tools that attempts to track household income and production against consumption is the Household Economy Approach (HEA). HEA data underpins the FEWSNET assessments for food security warnings in Africa. HEA uses detailed household-level data for a specific livelihood zone disaggregated by wealth group to develop a typical profile of a household’s sources and amounts of income and production. This is set against average household consumption and expenditure. Minimum household consumption is calculated on the local cost of purchasing the basic 2,100 kilocalorie daily intake per household member for a year. Minimum additional costs are added to this e.g. fuel, clothing, etc., to develop a “survival threshold” at which point the household can meet basic food needs without external assistance. By adding additional normal livelihood expenses to this such as regular medical, schooling and other expenditures to food consumption a higher “livelihoods protection threshold” can be established. The approach is illustrated in Figure 2 below.

**Table 1: CoBRA assessment findings 2013: Characteristics of resilient households interviewed**

Location	Marsabit	Turkana	Karamoja	Kajiado	Total / Average
Number of resilient households interviewed	41	42	39	36	159
Percentage with multiple income sources	75%	90%	98%	100%	91%
Percentage with agricultural/pastoral /fishing income	80%	78%	95%	98%	87%
Percentage with IGA/business income	48%	83%	80%	86%	74%
Percentage with wage/casual labour income	51%	45%	52%	58%	52%

Figure 2: HEA thresholds compared to total income and production levels



HEA data is often used to model the impact of crisis and shocks on livelihood groups e.g. a certain magnitude drought produces a 50 per cent drop in income from livestock sales. These impacts may well push households in a certain wealth group below both the livelihood protection and survival thresholds on a regular basis. Hence HEA data is commonly used to identify the proportion of a given population likely to experience survival deficits in the face of a shock, and estimate the level of food aid or other external assistance required.

However HEA baseline data<sup>5</sup> could also be used to calculate the proportion of “resilient” or financially graduated households in a wealth group. Most simplistically, this would include those households with income and production levels sufficiently above the livelihood threshold to withstand the household deficit that arises from the most regular hazards affecting a given area. In essence these are likely to be the higher wealth groups. However, the model could be modified slightly to consider other ways in which households may be able to withstand shocks. This would include factors such as savings,

contingency, food stores or livestock/crop insurance that are only drawn on in crisis years. These would enable households to maintain the livelihood protection threshold through the inevitable crisis years.

Unfortunately, to date, HEA data is rarely fully utilised and is primarily used for high-level policy or academic purposes. However, its application in more practical terms would be extremely useful in helping to define which households and communities, in disaster-prone environments, are achieving financial graduation or resilience.

There are two reasons why this is important: Firstly, it provides stakeholders with an ultimate benchmark or measure against which the success of programming interventions can be assessed. Secondly, it provides a useful tool to assist communities and implementing agencies such as NGOs, and UN and government actors in conceptualising and designing much more appropriate interventions. Currently, few food security or livelihoods programmes even consider the gap between household or communities’ income/production and their expenditure/consumption. This issue is highlighted here and its relevance is referred to later in the report.

<sup>5</sup> A full HEA baseline was completed recently for Turkana County – Turkana Household Economy Analysis Report: Prepared by Food Economy Group for Oxfam and Save the Children, June 2012.

### Chapter 3

## FINDINGS FROM FIELD WORK – VALUE CHAINS AND MARKET DEVELOPMENT

Field work was undertaken in Marsabit and Turkana counties over two weeks in October and November 2013. Interviews were undertaken with a wide range of groups and individuals from the following:

- Government ministries and line departments;
- Local and international NGO, CBO and FBO staff;
- Community savings group structures (e.g. village savings and loan associations);
- Community members of other groups and committees (e.g. producer groups, food for asset associations, livelihood programme beneficiaries);
- Trader associations (livestock and fish market trader associations);
- Private traders;
- Banks; and
- Educational and research institutes (Kenya Agricultural Research Institute and Mount Kenya University).

A full list of interviewees is attached as Annex 1. Semi-structured interview questions were developed to initially guided discussions, however, issues raised by interviewees were often brought up to other interviewees. Table 2 summarises the issues raised with the different stakeholders and individuals.

### 3.1. MARSABIT AND TURKANA COUNTIES - MARKET CHALLENGES AND OPPORTUNITIES

Boxes 1 and 2 summarise facts on the two counties examined as part of the study.

Market integration between Turkana and Marsabit and the rest of Kenya is fundamentally affected by poor road infrastructure and, to a further extent, limited mobile phone coverage. This hampers the development of value chains and markets. Figure 3 illustrates this more clearly from a balance-of-payments perspective. A truck normally takes 10 hours, and can cost up to 100,000ksh (US\$1,176), to transport goods to Lodwar in Turkana from Kitale, the next nearest town in Kenya.<sup>6</sup> Currently, the only commodities of any real value that are 'exported' from these counties to the rest of Kenya are livestock and (in Turkana) fish. Virtually everything else (all other food, clothing, building materials, consumer goods, etc.) is 'imported' into the counties. Even in Marsabit, virtually all fruit and vegetables come from Meru, a drive of more than five hours. Consequently, inhabitants of Marsabit and Turkana pay significantly more for staple food items than populations in most other parts of Kenya. This has important consequences in terms of food security for the poor, who typically spend the vast majority of their income on food.

As a result, the flow of money out of these counties is considerably higher than the money brought in from the sale of livestock and fish or any other

**Table 2: Issues explored in consultations and field work**

Members of community savings and other income-generating groups and private sector / businesses	Government, parastatals and other implementers of financial, livelihood or food security programmes
<ul style="list-style-type: none"> <li>▪ The range, scale, benefits and profitability of activities undertaken</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nature and scale of economic development activities, training and support provided</li> </ul>
<ul style="list-style-type: none"> <li>▪ Current levels of engagement with markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Criteria and process selecting beneficiaries/target population and implementation</li> </ul>
<ul style="list-style-type: none"> <li>▪ How and why group structures were formed; current management arrangements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Defining and measuring success</li> </ul>
<ul style="list-style-type: none"> <li>▪ Levels of training, support and current skills gaps</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reasons for failure and success</li> </ul>
<ul style="list-style-type: none"> <li>▪ Plans for growth, expansion and replication</li> </ul>	<ul style="list-style-type: none"> <li>▪ Plans/ability to replicate and scale-up</li> </ul>
<ul style="list-style-type: none"> <li>▪ Market opportunities or technologies identified or required</li> </ul>	<ul style="list-style-type: none"> <li>▪ Value chain potential</li> </ul>
<ul style="list-style-type: none"> <li>▪ Ability to operate independently without subsidy or support</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sustainability and exit strategies</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Potential market opportunities or technologies</li> </ul>

<sup>6</sup> Market Dynamics and Financial Services in Kenya's Arid Lands, WFP Kenya, 2013.

commodity or service. The income from other commodities – considered in the assessment of value chains by Elliot and Fowler e.g. milk, honey, hides and skins, tourism etc. – is negligible. Attempts to develop value chains for these commodities with end markets out of the county are highly unlikely to be successful until road networks are developed. The mark-up required to cover the additional transport costs means products will be too expensive to be price competitive with suppliers in better connected parts of Kenya.

This balance-of-payments deficit also has implications for the scale-up of HSNP cash transfers to households in these counties. The majority of this money is likely to be spent on food commodities coming from outside the county. These counties are already prone to highly seasonal price fluctuations, particularly when road access is restricted due to rain (or insecurity). An increase in demand for all items arising from increased cash availability could result in significant price inflation which, in itself, could wipe out the value of the transfer.

Consequently, until road networks are improved, interventions to develop markets and value chains should be evaluated in terms of their ability to address the following:

- Expand the value and quantity of key and primary exports (i.e. livestock and fish) to the rest of Kenya;
- The extent to which they reduce the amount of 'imports' (particularly food) from the rest of Kenya; and
- The extent to which they develop internal value chains for products and services, thereby ensuring more money is spent in-county e.g. milk or secondary school provision.

The lack of market integration due to poor road infrastructure is highlighted here as the main challenge to market and economic development in these counties, but there are clearly many others. Many of these are highlighted in Section 3.4, below, that examines the key in-county constraints in more detail.

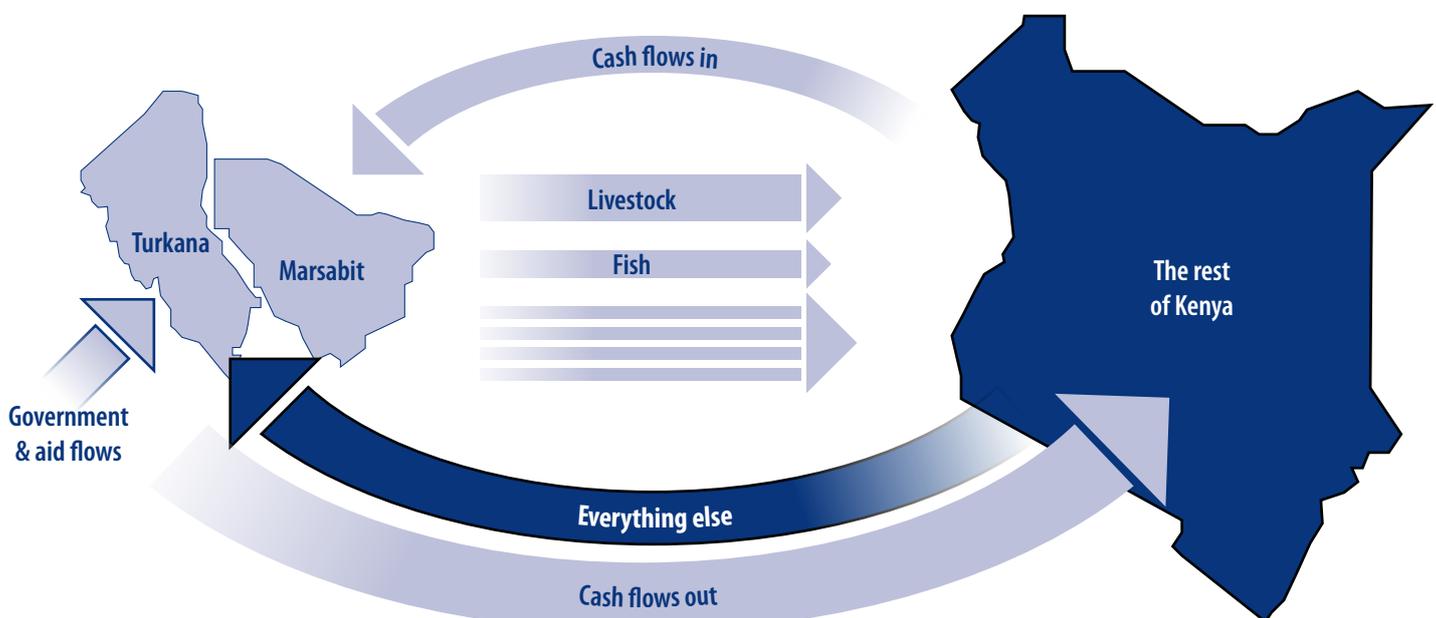
Conversely, it was clear from the fieldwork that despite this overall constraint to market engagement, there are still many opportunities for market and economic development in both counties. These are outlined separately for each county below.

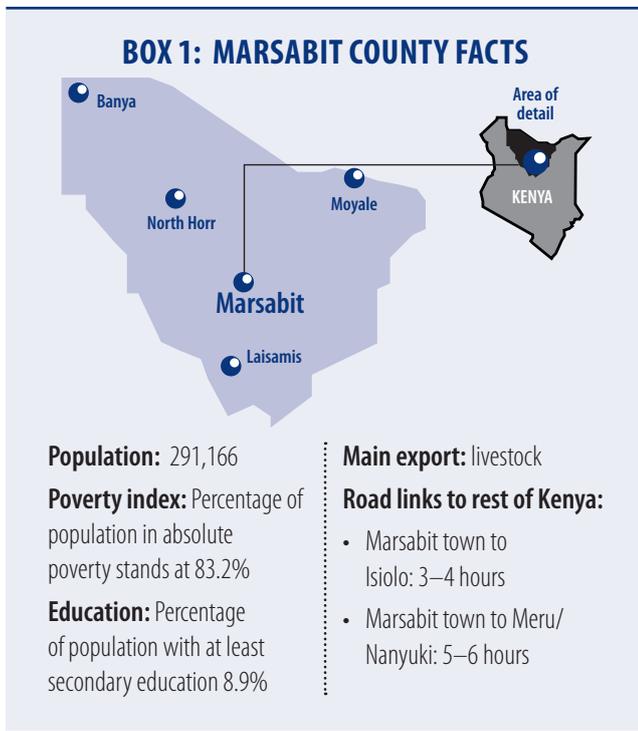
### 3.2. MARSABIT – MARKET AND ECONOMIC DEVELOPMENT OPPORTUNITIES

Marsabit's primary advantage over the other HSNP counties is its location on the primary trunk road between Kenya and Ethiopia. Currently there are tarmac roads to both its northern and southern boundaries i.e. north into Ethiopia and south from Merille into Isiolo county. This southern road is tarmac all the way to Nairobi. Critically, work has now started via two separate road construction companies to complete the tarmac road through the county. The road between Isiolo and Marsabit town is projected to be complete by 2017. This alone will significantly address many of the problems highlighted above.

In particular, it is an opportunity to significantly expand livestock exports from the county into both Ethiopia and the rest of Kenya. Merille, previously a tiny settlement on the southern boundary, is proof of the value of roads to the livestock market. Figure 4 shows the impact of the tarmac road hitting the town in 2010: the market now operates weekly, rather than fortnightly, and attracts between 60–90 buyers, many from out of the county. Moyale

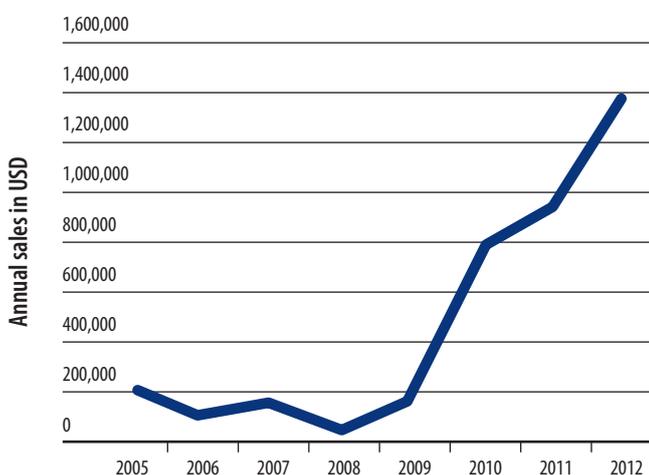
**Figure 3: Balance of payments between Turkana/Marsabit and the rest of Kenya**





livestock market is similarly buoyant, attracting traders coming from Ethiopia to buy livestock. This expanded demand works to dramatically increase prices: currently average goat prices are 40 per cent higher in Marsabit than Turkana and bull prices are almost double<sup>7</sup>. It seems that bigger markets with more buyers actually increase livestock prices and hence income to local producers. As the backbone of the county's economy, the road will dramatically improve pastoralists' ability to realise the value of their animals.

**Figure 4: Merille market sales 2005 - 2012**



<sup>7</sup> NDMA Early Warning Bulletins, 2013

Even whilst the road is under construction there are benefits: a camp containing approximately 250 construction workers has been established in the county and enterprising pastoralists and traders have contracts to supply meat, milk, and other daily food supplies to the camp. Similarly, at least three energy companies are involved in exploration efforts in-county and have smaller, but similar, camp arrangements.

Furthermore, the road will reduce the cost of transporting food into the county from elsewhere. This alone has significant economic and food security benefits. That said, there is still some potential to expand agricultural production within the county particularly on the mountain around Marsabit town. Currently, most agriculture is rain fed and not particularly productive. A significant aquifer also exists in the south central plains around Logologo. The road construction company is currently drilling five additional boreholes here which will be handed to communities once no longer required for road construction. There are several greenhouse developments in the county producing high-value fruit and vegetables using drip-feed irrigation. Expanding technical knowledge to improve agricultural production is a critical gap. This is discussed further in the next section.

Clearly, when completed, the road through the county will bring significant economic and business opportunities. Currently, the only significant towns on the highway are Marsabit, the county town, and Moyale on the Ethiopian border. These, and all other small towns on the new road, are likely to see significant growth as they develop to meet the increased passing trade. In addition, tourism could well increase with improved access, attracting more visitors to Marsabit National Park and possibly Lake Turkana. Together this will result in significant small business opportunities, as well as a construction boom, as the demand for accommodation, catering outlets, fuel and vehicle maintenance services etc. expands. If oil or gas exploration is successful, the boom would be further accelerated.

In summary, the economic outlook for Marsabit seems incredibly bright. The critical question, however, is the extent to which the residents of Marsabit will benefit and be able to take advantage of such opportunities. The population of Marsabit is small – less than 300,000 – which, in itself, could be an advantage as benefits are spread less widely. But the population is also a desperately poor and extremely uneducated when compared with fellow Kenyans (see Box 1). Consequently, the vast majority of business and trading opportunities could well be taken by actors from outside the county. The challenges hindering household and community engagement with such market opportunities are further explored in the next section.

### 3.3. TURKANA – MARKET AND ECONOMIC DEVELOPMENT OPPORTUNITIES

The economic development opportunities for Turkana are somewhat different to Marsabit. Unfortunately there are no imminent plans to improve the road connection between Lodwar and Kitale, the main highway that links the county with the rest of Kenya. There is, however, a stretch of tarmac road midway through the county from south of Lodwar through Kakuma to Lokichokio. This road continues as a reasonable graded dirt road into South Sudan and its capital Juba. Consequently, Turkana will remain very disconnected from markets in the rest of Kenya but could possibly expand engagement with markets in South Sudan.

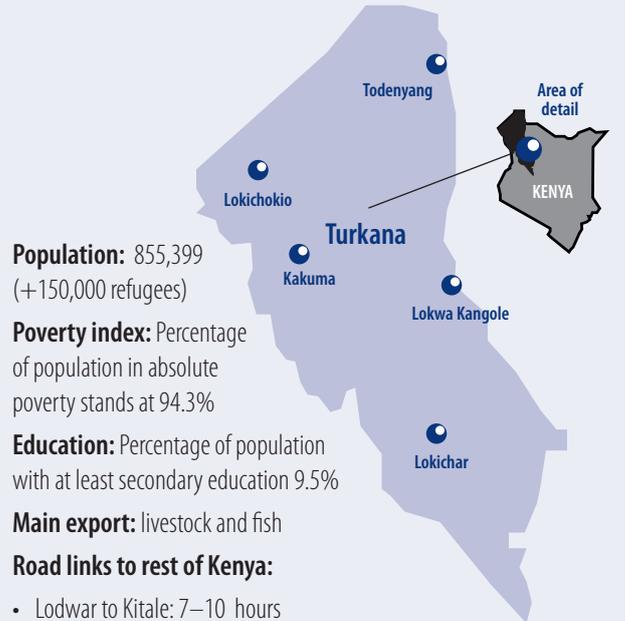
The continuing lack of road infrastructure will hamper the expansion of its key “exports”, principally livestock and fish. The volume of livestock trade in the Lodwar market is a fraction of that achieved in the main markets in Marsabit. Kakuma is more buoyant with prices marginally higher. This reflects the expanded demand arising partly from the Kakuma refugee camp and parts of South Sudan.

Fish ‘exports’ from Turkana are reasonably buoyant, with demand stretching all the way into Uganda and even Congo. There seems to be some significant potential to improve this value chain as there are fewer sources of fish than livestock in this part of East Africa. Oxfam has been distributing vouchers for fish as part of its monthly food-aid package for some years now. This helps to guarantee small fishermen market demand and at a fair price. In addition, they have just started a two-year, €2 million fish value-chain programme with seven of the beach management units (BMUs) along the lake. The programme will provide business skills, improve price information systems, market opportunities and access to credit providers e.g. Equity. During the field visit, mixed opinions were expressed on the environmental sustainability of the continued expansion of fish production from the lake.

Given limited access to markets out of the county, the key driver of economic development should be the expansion of internal value chains. Compared with Marsabit, Turkana has a significant population:<sup>8</sup> if the refugee population of the Kakuma camp is included, the total county population tops 1 million. This is not insignificant. The Kakuma camp alone has a population of 150,000 – roughly three times the population of Lodwar. The refugees require food, shelter and all other basic services, all of which is paid for by UNHCR and other agencies. Currently all food and supplies are brought in from outside but with efforts to develop local value chains the camp could effectively represent a significant market opportunity.

Indeed, the expansion of in-county food production is, and should be, a key focus for the new county authorities. A major target in the emerging Country

#### BOX 2: TURKANA COUNTY FACTS



Development Plan is to expand irrigated agricultural land to 150,000 acres along the Turkwell and Kerio rivers. This is possible (although, again there are environmental sceptics) as both rivers flow year-round into Lake Turkana. In addition, the recent discovery of a significant underground aquifer around Oropoi could further expand opportunities for irrigated agriculture, although this is likely to be in the longer term.

Significant riverine irrigation projects were initially developed in the early 1970s, however, many projects failed over time due to poor management. In the last five years there has been a major re-invigoration of irrigation projects, led primarily by the National Irrigation Board (NIB), a government parastatal. A three-thousand acre irrigation project under construction was visited as part of the field work.

Agricultural yields of staple crops such as sorghum or maize are up to 3–4 times higher on irrigated land than in traditional rain-fed production. Importantly, this production is also far more reliable given the erratic nature of rains in the area. Irrigated agriculture also provides the opportunity to grow a far wider range of crops including pulses, fruits and vegetables. These offer the potential for much higher returns given their price per kilo. It also offers the opportunity to engage significant proportions of the population, primarily in the south of the county, and improve their productivity and income. There are, however, several barriers that need to be addressed to ensure such potential is realised. These are discussed in more detail in the next section.

<sup>8</sup> Turkana population is 855,399 according to 2009 Census

Finally, the other major development in Turkana that is likely to have a significant economic impact is the discovery of oil. Currently oil extraction is small scale but significant exploration by several companies is continuing. Unfortunately, the county is unlikely to benefit directly from this, given that the jobs and skills required by oil companies are rarely present in the local communities. Only a tiny fraction of oil revenues are likely to be spent in the county. Consequently, the main economic opportunities lie in the general increase in service industries to support the oil workers, companies and their contractors. The recent growth in Lodwar is undoubtedly partly fuelled by this. There has been a reasonable level of unrest around some of the oil extraction and exploration sites by local communities which companies are keen to avoid. It will be some time until the local population can develop the education and skills required to benefit more directly from direct job opportunities in this sector. In the meantime, negotiations between the main oil company, Tullow Oil, and Government authorities are underway, concerning the nature

and scale of corporate social responsibility (CSR) resources to benefit local populations. Currently, some of these resources are supporting bursaries for secondary school students and scholarships for at least two students to study overseas. However, it could be an important source of subsidy to the county or other actors, to support the education and skills base of the local population along with other economic development initiatives.

In summary, the constraints to economic development in Turkana are more significant than Marsabit. Without substantial improvement of the road infrastructure the potential to expand livestock sales out of the county is limited. Poor roads will continue to keep the prices (and availability) of food and all other goods imported from out of the county extremely high. Nevertheless, there are several opportunities to expand the county's economy by focusing on in-county value chains and markets – particularly those for locally produced food.

## Chapter 4

# FINDINGS FROM FIELD WORK – HOUSEHOLD AND COMMUNITY MARKET ENGAGEMENT

The current and potential ability of poor households and communities to engage profitably with markets and other economic development opportunities in both counties was examined from the perspective of group structures. This was based on the premise that by organising into group structures, the poor are better able to enhance their economic situation. Good group structures, theoretically, should provide members with the capital, skills, confidence and organisation to engage more effectively with markets, diversify incomes and meet their basic needs. The expanded cash transfers via both HSNP and WFP will represent a significant cash injection into these counties. This is an important opportunity to encourage savings mechanisms, expand capital formation and invest in production. Consequently, field work investigations focused on identifying and consulting with many members and several facilitators of community group structures. They have been grouped into two broad categories:

- **Savings groups** – groups set up specifically for members to save money and take loans. These include village savings and loans associations (VSLA), merry-go-rounds and village banks etc. Normally such groups have fewer than 30 members.
- **Other income generating groups** – These incorporate a wide and eclectic range of group structures. Typical structures include:
  - **Community IGA structures** – groups established around an income generating activity, including both on- and off-farm activities. Sometimes they are self-formed but often they are the result of externally supported livelihood or food security programmes by NGOs. Normally they have between 10–30 members, however BOMA business groups have only three members.
  - **Producer groups or committees** – established to organise the creation or management of assets that enhance agricultural production such as construction of water pans for livestock or irrigation channels for crop agriculture. These may have several hundred members, usually from the same village or community.
  - **Trader associations** – groups that focus on the marketing and trading of commodities, most commonly livestock trading. They also include associations responsible for running markets on behalf of members, such as Livestock Market Associations and (in Turkana) Beach Management Units for fishing communities. These can also have up to several hundred members depending on the numbers using a market.

### 4.1 SAVINGS GROUPS

There are significant differences in the coverage of formal savings and loans groups in each of the counties. In Marsabit, FSD has been funding CARE's establishment and expansion of its community savings and loans (COSALO)

programme since 2011. To date they have established over 665 groups. In addition, the Marsabit-based NGO BOMA fund has established a further 350 savings group structures. Both organisations are continuing to establish new groups. Consequently there are over 1,000 savings groups in a county with a population of less than 300,000.

In Turkana, many NGOs support some form of savings and loan groups, however, none do so at scale. The Diocese of Lodwar (DoL) is probably the largest, with about 65 groups established primarily as part of its livelihood support programmes. Many of the groups have been established for some time i.e. for more than five years. The DoL is just starting a new programme to establish 50 new savings groups with funding from CRS, using their SILC (Savings and Internal Lending Communities) methodology. The impression gained from field-work discussions with the main NGOs operating in Turkana is that there are far fewer formal savings groups – possibly a few hundred – with no single approach or methodology dominating. Clearly there may be some groups that were established by agencies in the past and are now self-sustaining or others that may have emerged spontaneously, however, this reinforces the findings of field research on access to financial services in sample locations in Marsabit and Turkana, commissioned by FSD earlier this year<sup>8</sup>. In survey locations in Turkana, membership of savings groups was found to be negligible, whereas in Marsabit approximately 25 per cent of women surveyed were in such groups.

Almost all savings groups follow similar modalities of operation. Groups usually comprise 15–30 members who are most often, but not exclusively, women. Group members are trained or facilitated to establish group by-laws which include agreeing the amount to be saved each month (or other period). They also set the procedures for and terms of any loans to be made, including repayment timeframes and interest rates. Most approaches encourage formal, written record keeping, however, given the high levels of illiteracy in these counties, some groups keep verbal records. Some groups, most notably CARE's COSALOs, pay out all savings and interest earnings to members as a lump sum at the end of each financial year. This means the capital available for lending must be re-established at the beginning of each subsequent year.

### 4.2. SAVINGS GROUPS – BENEFITS AND LIMITATIONS

The coverage of savings groups in Marsabit is impressive and the benefits they bring to members are clear: They provide an invaluable first step in expanding financial literacy and enabling members to smooth their cash flow. All members interviewed during the field work stressed how important the groups had been in improving their access to cash. Women in more remote pastoral areas often spend months without cash as the men are away herding and they normally sell livestock and control profits. The savings group

<sup>8</sup> See Elliot, Desgroppes and Roba (April, 2013) 'Impact of HSNP on Financial Markets and Financial Inclusion: Findings from Field Research in HSNP and control sub-locations in Marsabit and Turkana Counties'.

mechanisms enable the women to access money for pressing household expenses including food and medical fees. The groups improve the financial literacy of members, some of whom would have had limited experience in managing cash. They create a culture of saving and discipline in managing money – things very hard for poor people to achieve by themselves.



**Before, when the men were herding and I needed money, I had to beg or borrow from money lenders, which took all my money when it came.**

BOMA savings group member in Tupcha village, Marsabit

Loans taken by group members are used to support individual income-generating activities (IGAs) which provide a vital source of additional income. The vast majority of loans seem to involve petty trading in basic food and household items (e.g. sugar, maize, soap powder, etc.) which are purchased in bulk at a market centre and sold for small mark-ups in villages in the rural hinterland. In Marsabit, members are increasingly trading in shoats by buying them in rural areas and taking them to larger markets – e.g. Merille – where they can achieve a significant mark-up. Enabling women to access independent income sources and engage in the male dominated world of livestock trading is itself highly empowering.

The pay-out of savings at the end of each year is usually highly welcomed by members to assist with critical, big expenditures such as school fees and festivities such as Christmas, etc. For the poor, school fees – particularly for secondary students and above – are a major expense. Without such savings groups, it may be impossible for some households to send their children to school. Ensuring members of your household are better educated is likely to have direct, long-term impact on financial graduation as it improves the earning potential of the next generation.

Despite the clear benefits of savings groups it is worth highlighting some of the limitations or challenges that current savings group structures have with regard to accelerating financial graduation.

- **Most loans are used for financial smoothing, not IGA**

Currently the majority of loans (estimated at 70–80 per cent) made to savings group members is used for day-to-day household expenditure e.g. food, medical, school fees. Only a minority of loans are used for economic or income-generating purposes which enable members to make money and engage with markets. Of the loans taken for IGAs the vast majority are used for two things: 1) petty trading in commodities bought in main markets and sold on to outlying settlements; and 2) shoat trading.

This is not in itself a problem; however, activities of this sort generate immediate income that has little opportunity to grow over time. This is exacerbated by the fact that many groups insist on full repayment of a loan within 1–2 months. As a result, the groups' main benefits are enabling poor women to cope better and preventing destitution rather than fostering the economic growth needed to graduate further up the wealth ladder.

- **Limited investment in group or individual 'enterprises'**

Some of the savings groups are now amassing significant capital of around 200,000–400,000ksh. However, there was limited evidence that this money is being invested in any group or even individual enterprises or businesses e.g. restaurants or hotels. These are the sorts of activities that could offer employment opportunities with the potential for growth and longer term profit. This is rather an unfair criticism, since savings groups were never intended to do this specifically, but it does raise the question as to how members can move to the next stage of commercial or business engagement. At the moment, both quick repayment periods and annual pay-out mechanisms work against such types of investments. In addition, many groups lack ideas for – or exposure to – successful business alternatives. Without first hand exposure to success, investing in an untried business venture often represents an uncomfortable level of risk for poor communities. In general, groups have not been established very long – most are less than three years old. It may just take some time some for groups to consider using capital in this way.

- **Failure rates in times of crisis**

It is not clear how long some savings groups might survive a serious crisis period such as a drought. In several groups there was mention of members who had dropped out when they could not continue to make payments at the same level as others. There is limited focus on developing relationships in the group and finding solutions for members who are struggling to make payments etc.

### 4.3. OTHER GROUP STRUCTURES

There are a great many other forms of group structures that in some way support the productive capacity of poor communities in either traditional on-farm activities or alternative income generating activities. The independent and isolated nature of pastoral life and the strong kinship ties of the pastoral clan network mean that communities are well used to working in close-knit group structures. Many of these groups have been formed or supported by NGOs in the areas, as part of livelihood and food security projects.

Typically an NGO livelihood project will support a group of members to start or expand production in an income generating activity. This may be farm based, e.g. market gardens, fodder production, or non-farm alternatives, e.g. honey

**BOX 3: TIYA FOOD FOR ASSETS COMMITTEE, TURKANA**

The committee comprises 204 households that have successfully irrigated 50 acres by creating a series of hand-dug wells. This will extend to 80 acres by the end of the project. Sorghum yields from the irrigated land are twice that of rain-fed land. They consume most of the crop but exchange some bags for livestock. One acre has been set aside to grow vegetables which sell well and they have made 20,000ksh so far this year. They each contribute 50ksh per month into the committee's account. They still receive food aid from WFP but it is not clear if they are (or could be) food secure.

or bead work. The NGO will normally provide some form of start-up capital in the form of a cash grant or in-kind support e.g. beehives, greenhouses, or a camel. The beneficiaries are then normally provided with technical training in the operation of the activity and (sometimes) business training. Several examples of projects visited during field work are cited in the boxes below. The number of members in such groups varies. Very often it is similar to those in savings groups, as many also incorporate a savings element. Most groups will have a chair or small committee but many groups are small enough to meet regularly to make all decisions. Proceeds or profits from the activity are normally shared equally. The proportion of such groups that remain operational in the long term is not clear. Supporting NGOs are hampered by their funding timeframes which rarely exceed two years. This is usually only long enough to identify communities, establish groups, and provide start-up capital and initial training. It is difficult to provide any support to these groups after the project ends. It also means most NGOs are unable to monitor the sustainability or success rate of groups.

In rural areas many groups or committees were formed or exist to support agricultural or pastoral production. Several pastoral associations exist in both Turkana and Marsabit. These represent groups of pastoralists and support the interests of members such as the management of water points or negotiating the sites for and usage of key dry-season grazing areas, etc. Farmers' committees exist in many of the irrigated areas of Turkana. Their primary purpose is to organise the management and maintenance of irrigation channels. Members usually contribute some funds to the elected managing committee for maintenance costs and will also participate in works required. No groups encountered in the field visits had any wider formal savings structures in place for members. The primary objective of these groups is to manage the basic collective actions required to maintain their productive capacity. There is limited ambition or capacity to support wider actions or investment that could significantly improve productivity e.g. construction of a communal grain store or fodder banks.

In Turkana WFP have 58,000 beneficiaries on their Food for Assets (FFA) programme, organised into 78 committees. Beneficiaries in each committee work communally to create assets that should enhance food security and ultimately enable beneficiaries to 'graduate' from food aid. In pastoral areas this could include the construction of water pans or pasture improvement such as clearing invasive bush species. In agricultural areas, groups are primarily involved in the construction and maintenance of hand-dug irrigation canals. Committee members receive food on the basis of works completed. The committees are also responsible for the management and maintenance of the assets created. These groups can often comprise several hundred households, managed by an elected committee of members. Again, the committee's role is highly functional in ensuring each household commits the requisite labour to the construction or maintenance of assets. Training of the beneficiaries is provided by the NGOs contracted by WFP to manage the FFA programme. This involves bringing Ministry of Agricultural extension agents to the FFA sites to facilitate training. Some of the FFA committees in agricultural areas are being supported by the NGOs to find markets for their surplus crops, in particular selling grain to schools as part of WFP's school feeding programme. As part of this, some are receiving business and marketing training.

Marketing associations are another form of group structure that support small producers to engage with markets. Examples include livestock and milk market associations, and fish market associations such as the beach management units (BMUs) in Turkana. The association usually represents the producers who use the market to sell commodities. The members elect a committee which manages members' payments or subscriptions and uses them to maintain market structures. More effective associations work to expand the number of buyers at markets and linkages with other markets e.g. through improving price information or remote purchasing systems etc. Effective market associations can bring real benefits to wide groups of users as they often also collect payments from market users. The members of the



Crops on Food for Asset Site in Turkana

Merille Livestock Market Association are drawn from the 12 villages in that sub-district. They have had over seven years support from the NGO Food for the Hungry (FH) to develop management structures and proper accountability in the collection of sales tax, payable on the sale of each animal. Their income expands as sales increase and it can be paid in dividends to members or used to further invest in market facilities or activities.

#### 4.4. CHALLENGES AND LIMITATIONS FOR GROUP STRUCTURES IN NORTHERN KENYA

The types of group structures described above are not exhaustive but merely illustrate the widespread existence of such collective units to support poor individuals to produce or earn more. Unfortunately, their effectiveness in this is hard to gauge. There are few, if any, outstanding examples of groups that have clearly supported the graduation of all members out of poverty. Many of these groups should be effectively operating as small- and medium-size enterprises, however they are not. There are multiple reasons for this, the principal ones outlined below:

##### **Lack of commercial literacy**

The pastoralist groups of Turkana and Marsabit have no tradition of business. Indeed in most rural areas this generation is the first to engage in the cash economy. It is hard for outsiders to appreciate that most pastoralists do not view their herds as an economic asset to be liquidated as required for regular

expenses and to cope through crisis periods. The NGO FH has developed effective livestock value training for pastoralists that supports them to calculate the financial value of their herd in relation to prices at the local markets. Herd losses in the last drought are then valued financially and compared with their primary household and other expenditures e.g. school fees. The process, obvious to non-pastoralists, facilitates an understanding of how timely sale and restocking of livestock can not only be a coping strategy but a profitable livelihood. Such courses are rare and experience has shown that, slowly, pastoralists do become more commercially minded as they become more exposed to well-functioning markets offering good prices. As a member of the Merille Livestock Market Association said, 'this market has made us realise we can make money from our livestock'. The lack of well-functioning markets and lower livestock prices in Turkana mean this process of commercialising livestock production is likely to be much slower there.

The lack of commercial thinking also affects agriculturalists and agro-pastoralists. Most farmers interviewed work hard to produce what they can in hazardous circumstances. Their approach to production is typical of the ultra-poor, who live hand-to-mouth and believe they are at the mercy of external shocks such as drought, crop and livestock pests, etc. Questions asked of group members farming irrigated land – about their improved yields and, in some cases, improved incomes – were reasonably easily answered. However other questions – such as how many bags of sorghum would be required to meet all their needs in an average year – sparked endless debate. It was clear that consideration of how far improved production/income met their consumption/expenditure was lacking i.e. their ability as a household or a community to meet their livelihoods threshold on an annual or multi-annual basis.

On the whole, all group members interviewed demonstrated a limited ability to consider income/ production and expenditure from a balance sheet perspective. There was obvious confusion in understanding the difference between terms such as income and profit. Members would state how much they made from a venture but then moan that they then had to pay for transport or maintenance which ate into their income. The notion that such costs are normal operating costs and should be factored into a business plan was alien.

This failure extends to the NGOs and other agencies supporting 'livelihood' projects. In general, NGOs consider a livelihoods project successful when a community is producing something more than before. This could be vegetables via a market garden project or small-scale income from bead making or milk processing. However, few agencies seem to ask if such an increase is enough to meet the households' or groups' annual (or multi-annual) needs and expenditures. This is surely key if the aim is to graduate households to a sustainable financial and/or food secure status. By taking such an approach

WFP could become a lot clearer as to which and when households on their Food for Assets program have actually attained the food security required to be taken off the project.

In some of the largest agricultural enterprises such as the Katilu irrigation project, the failure to develop any form of longer term business plan will ultimately compromise their productivity and viability. Currently the National Irrigation Board (NIB) is providing subsidised seeds, fertiliser and machinery which farmers can hire. The NIB will leave this area in the next 3–5 years. Currently, farmers are generating significant incomes (although profit levels are not clear) but do not have the capacity or foresight to plan for the joint investments required to sustain their long-term productive capacity e.g. grain or seed stores, tractors, vehicles, etc.

### Low educational attainment

The links between educational achievement and earning potential are well documented. It is worth highlighting just how far Kenya's northern counties fall behind the rest of the country in terms of educational attainment. On average, one quarter of Kenya's population have no education and 50 per cent have only primary education. In Turkana and Marsabit, 82 per cent and 68 per cent of the population, respectively, have no education and only 15 per cent and 26 per cent have primary education<sup>10</sup>. In addition, individuals living in Turkana County are seven times less likely to have access to any secondary schooling.

Although education enrolment and completion rates in both counties are increasing they will always struggle to reach national averages as attainment rates in the rest of Kenya accelerate even faster. Secondary school education is increasingly essential to access job, technical and vocational training. But it is not free and so its access is linked to income and wealth. Again, Turkana and Marsabit remain the first and fourth poorest counties in Kenya.

Providing any form of commercial literacy or business training to such an innumerate population remains a challenge. Language is also an issue, with much of the population unable to speak Swahili or English. Swahili is the primary language of business and the normal language in which community trainings are provided, given that most trainers come from other parts of Kenya.

### Lack of technical knowledge

The vast majority of technical training in both counties is provided via NGOs, often using technical experts from Government line departments. Typically, NGOs will facilitate the transport of Government extension agents from, say, livestock or agricultural ministries to the target community and foot the bill

for per diems of approximately Ksh3,000. In many cases the attendees are also paid a per diem to receive the training. All community members were asked about the level of technical training and support they had received. Most communities had received between one and five days technical training in a year. There are several problems with this approach. It is unsustainable as training depends on the resources of a per diem paying partner. Communities not supported or attached to an NGO (probably the majority) are unlikely to access any technical training. Even when they do, the direct contact or 'face' time between communities and technical trainers is tiny. The Tiya Food for Assets group (see Box 3) has had two one-day trainings from a Government agricultural extension worker in two years. The training was provided in Swahili and could in no way be considered comprehensive. In every interview, communities said they wanted more training.

The provision of tertiary education in both counties is woefully inadequate and there are currently no functional polytechnics in Marsabit<sup>11</sup>. Consequently, in a county starting to experience a construction boom associated with the new road construction, there is no place to learn basic construction skills. There is a functional polytechnic in Lodwar that runs four construction related courses, however, in neither county are there any livestock related vocational training programmes. In Turkana, where the County Development Plan is proposing to irrigate 150,000 acres, there are no institutions offering agricultural courses – even for those with the qualifications and resources to pay. According to the County Director of Education, the only new training courses under consideration in the Lodwar polytechnic were hairdressing and secretarial skills.

There are some emerging alternative forms of training. Equity Bank has branches and agents throughout both counties as part of its role as the cash delivery agent for the HSNP. It has a separate programme funded by MasterCard for its charitable wing – the Equity Foundation. This pays for financial literacy agents (one in Marsabit and three in Turkana) who offer financial literacy training to communities. Agents receive no per diem, take public transport to locations and offer no incentives to participants except the content of the training. Increasingly, the agents are also being used by NGOs to offer business training to their staff and/or beneficiaries.

Another emerging opportunity is the recently established satellite campus of Mount Kenya University (MKU) in Lodwar. MKU is a relatively new private university. To date, it has 1,500 registered students and is developing a 100-acre campus just out of town. The majority of its courses are diplomas or degrees and hence are not pitched at the needs of the majority of Turkana residents. However, it is keen to be 'relevant' to the needs of its local community and has consequently had special dispensation from its ruling senate to offer 'short' courses with no admission requirements. This opportunity is explored further in the following section.

<sup>10</sup> Kenya National Bureau of Statistics and Society for International Development (2013) 'Exploring Kenya's Inequality – Pulling together or Pulling Apart.'

<sup>11</sup> One is due to become operational in Merille shortly – but it is not clear when.

### Lack of exposure

Linked to the above, another factor inhibiting productivity and entrepreneurship is the extreme lack of exposure in most communities and individuals to a) successful role models and b) ideas and technologies. The remote and isolated nature of most communities in these counties, mean that many have rarely travelled beyond their nearest tiny market towns. Limited mobile phone coverage and negligible access to other media mean communities' worldviews are highly limited. Examples of individuals or communities that have transformed their fortunes through successful business development and/or highly productive farming are few and far between. These populations lack any belief that their poor and marginal livelihoods can ever change and that existing wealthy households have always been so. This mirrors findings in the CoBRA assessment interviews in relation to "resilient" – i.e. better off – households, where the majority claimed them to have always been resilient.

Communities' isolation and lack of exposure also affect their ability to diversify livelihoods. Even those with capital to invest and a willingness to do business are at a loss to know what to do to make money beyond petty trading.

Interviewed members of CARE and BOMA savings groups had few ideas for new or expanded enterprises even if they had twice their current capital. Several wanted to start a camp merely because they knew such ventures exist and not based on any understanding of their actual profitability. No groups seemed to be aware that the quality standards offered by such traditional ventures in no way match standards of accommodation on other trunk routes through Kenya. In a conversation with 6–8 women in a BOMA savings group in rural Marsabit it emerged that all had heard of solar lights and fuel-efficient stoves but none had ever seen them. Discussing solutions to their transportation problems the option of a motorcycle tuk-tuk was suggested, but only one woman was familiar with such a vehicle.

Clearly it is hard for communities to innovate in such environments. As ever, the gap between these communities and those in the rest of Kenya continues to widen as mobile and internet technologies, road networks and markets continue to expand apace.

## Chapter 5

# FILLING THE GAPS TO FINANCIAL GRADUATION IN NORTHERN KENYA

### 5.1 TOWARDS A FINANCIAL GRADUATION MODEL

The purpose of the field analysis was to explore the opportunities and challenges involved in delivering a market-led financial graduation model in northern Kenya; in particular the feasibility of implementing the recommendations of Elliot and Fowler's study. The market development strategies and interventions proposed are highlighted below and reassessed in light of the field work.

#### i. Supporting interventions that address poor market functioning

Ultimately, market function in both counties is constrained by poor road connections to the rest of Kenya which fundamentally undermine market integration and inflate the costs of virtually all inputs. This affects the counties' competitiveness. This is being addressed in Marsabit and will drastically improve market function along the Moyale to Merille corridor. Elliot and Fowler highlighted projects that substitute imported food aid with local produce through the use of vouchers. Oxfam is still operating this programme in Turkana on a small scale. Only WFP is likely to have the resources to do this at scale and they are constrained by food hygiene issues. Nonetheless, increasing local food production to stimulate in-county markets should be encouraged and voucher-based projects can be beneficial in this regard. Poor road infrastructure increases costs but transport costs are still lower for local producers than for those bringing in food stuffs from elsewhere. The critical barrier undermining food production is the lack of a commercial approach to farming – either agricultural or pastoral.

The other market-function failure highlighted by the field work is the market demand and supply for skills, knowledge and information. Currently, the communities have a latent and unmet need for commercial, business and technical skills that would increase their productivity. Current mechanisms to supply this demand are patchy and ineffective. Supporting a market-based approach that supplies the necessary skills and information via appropriate modalities (possibly via the use of vouchers) at an affordable cost is the critical challenge. This is explored further below.

#### ii. Developing market 'hubs'

There is some existing programming that specifically supports market structures and associations (see below) such as livestock and fish markets. However, it should be remembered that these are mostly based in town centres where the majority of all trading is undertaken. The emergence of vibrant town centres that support rural hinterlands is an important step in the development process. Currently, there are very few vibrant town centres in both counties (Marsabit, Moyale, Lodwar and Kakuma). Again, the road construction through Marsabit will automatically expand small town development here. The challenge will be for the local community to engage with the market opportunities that arise from small town development e.g. construction skills and service industry. Without a

trunk road, town centres in Turkana are likely to develop only if they serve the needs of the surrounding agricultural production system. Again, this is facilitated by commercial rather than subsistence based agriculture i.e. one where the farmer needs markets to access inputs such as seeds and vet drugs and to sell produce such as livestock or crops.

#### iii. Promoting savings groups

The premise that the poor are better able to engage with markets through group structures holds true. This has been demonstrated by the thousands of savings group members in Marsabit who have been able to amass levels of savings/capital that would have been impossible as individuals. As discussed, this has enabled many to invest in income generating activities critical to improving their financial viability. The existence and value of other group structures is also important as they can support the accumulation of non-financial capital such as irrigated land, water sources or greenhouses which can also enable increased production. The expansion of such groups is included in one of the proposed interventions below.

#### iv. Promoting Income-Generating Activities (IGAs)

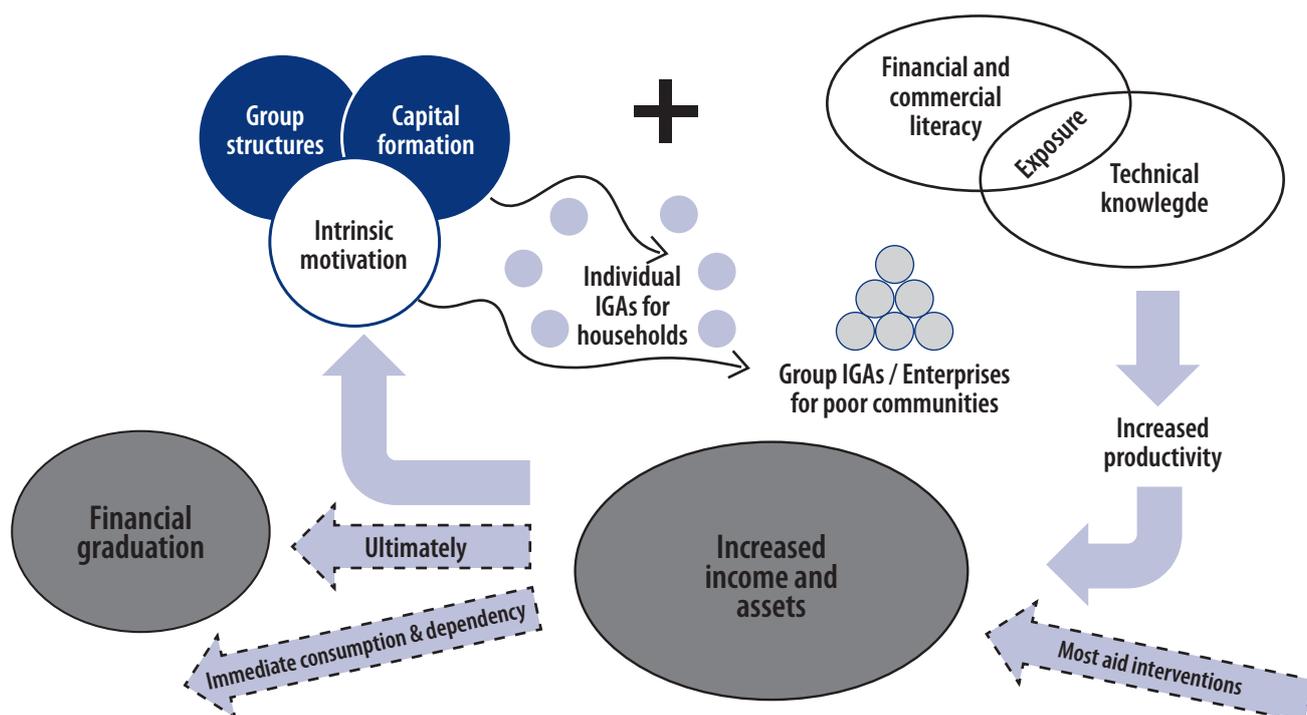
Savings groups do facilitate many thousands engaging in IGAs. The critical gap here is individuals' ability to take both on- and off-farm IGAs from a subsistence level to a more growth or business orientated enterprise. Another problem is that many IGAs are facilitated by NGOs so that the idea, the capital and the training are all extrinsically provided. This lack of intrinsic motivation, as well as long-term follow-up and support means many 'livelihood' projects fail. The formation of small and medium enterprises is almost non-existent.

Consequently, external promotion of IGAs should be avoided. Instead, support is required to build the confidence and intrinsic motivation of individuals or communities to develop a business idea or a commercial approach to agricultural production. The self-help model described below is one such approach.

#### v. Investing in promoting promising value chains

The only commodities with significant value chains beyond the county borders are livestock and fish. Consequently, the development of internal value chains and markets should remain a priority in the short to medium term. There are real opportunities for economic development and market growth in both counties. These are certainly greater for Marsabit than Turkana given the ongoing improvement in road infrastructure. However, the expansion of oil and other energy industries, as well as the expansion of irrigated agricultural land, have the potential to fuel economic growth and markets in certain parts of Turkana. Apart from the expansion of local food value chains, much greater attention should be given to job opportunities in the service sector as town centres grow. Inward investment by energy or road companies, in addition to increasing populations, will also expand local construction opportunities.

**Figure 4: Financial graduation model highlighting barriers to market engagement**



#### vi. Encouraging appropriate credit products

Savings groups are by far the most appropriate form of credit for the majority of the populations in both counties. Should expanded levels of capital be required, both counties are relatively well served by banks and microfinance institutions. Equity Bank has branches in Marsabit Town and Lodwar and agents throughout both counties, due to their role as payment agents for the HSNP. When established, all 480,000 households registered in the four HSNP counties will have access to an Equity payment card. Kenya Women's Finance Trust (KWFT), Kenya Commercial Bank and First Community Bank also have branches in both counties. Access to mobile money, primarily through M-Pesa, is expanding as mobile phone coverage expands.

In summary, **the main constraint to financial graduation for the very poor, who make up the majority of the population in both counties, is their lack of capacity to take advantage of the economic development opportunities that are emerging.** Figure 4 is an attempt to illustrate a model for financial graduation in this context and highlights the key gaps that are affecting the ability of the poor to engage more effectively – i.e. profitably – with markets. The starting point is 'Group Structures' which includes the existing savings and loans groups, in addition to some of the many other groups described. Even where motivation to engage in more commercial production or expand businesses does exist, levels of

commercial literacy and technical knowledge are so low that they are likely to result in extremely high failure rates. This works to further undermine intrinsic motivation. The gaps in motivation, commercial literacy and technical knowledge are all exacerbated by a lack of exposure to examples of business success and the basic technologies so prevalent in other parts of the country.

#### 5.2 FILLING THE GAPS IN THE MODEL

Any programming that seeks to expand financial graduation of the poorest in these counties cannot ignore these gaps. Financial graduation programming should, therefore, be designed to:

- Expand the number and strengthen the motivation of group structures;
- Expand financial and commercial literacy (business skills); and
- Expand access to technical knowledge and appropriate technologies.

To see significant impact, all of the above is required:

- at scale;
- on a sustainable basis; and
- to be responsive to the changing needs of end users

### Current programming for financial graduation

few current programmes operating in northern Kenya define their goals and objectives using the term 'financial graduation'. Instead, most development programmes include objectives around building resilience, improving livelihoods or achieving food security. As outlined in the previous section, several savings and loans groups exist – particularly in Marsabit. The need to expand these is discussed below.

Some of the efforts to expand financial and commercial literacy have also been highlighted in the previous section. Equity's financial literacy programme is a very good initiative but, with only four agents operating in both counties, services are woefully inadequate. Many agencies in both counties have run some form of initial business training as part of savings or livelihood programmes but, again, these are normally one-off programmes for the few attached to a specific project. Technical training suffers the same issues, being provided to target communities on an ad hoc and unsustainable basis. It is not widely available to all.

There have been several projects that focus specifically on market chain development. Oxfam's fish value chain project is a good example. Again, this focuses on a narrow set of communities and actors around seven beaches on Lake Turkana. Current development programmes rarely operate at scale given the scale of funding and modalities via which NGOs operate. Programmes such as HSNP's and WFP's food assistance programmes are rare exceptions that have developed modalities to enable them to work at scale.

At this point it is worth mentioning the REGAL–IR and REGAL–AG<sup>12</sup> programmes. Resilience and Economic Growth in the Arid Lands – Accelerated Growth (REGAL–AG) is implemented in coordination with REGAL – Improved Resilience (REGAL–IR). Together they have funding of more than US\$65 million over five years. The REGAL–IR project is led by NGO Adeso and covers Garissa, Isiolo, Marsabit, Turkana and Wajir. The project aims to reduce hunger and poverty, increase social stability and build foundations for economic growth by supporting the Government of Kenya and donor efforts to strengthen social, economic, and environmental resilience among pastoral and transitioning communities. REGAL–AG is led by ACDI/VOCA and is building on the efforts of REGAL–IR and WFP investments in social and economic resilience by facilitating behaviour change in actors all along the chain – from livestock keepers to middlemen, traders, transporters and buyers – in order to increase incomes and stimulate growth.

These programmes are still in the process of scaling up and closer scrutiny of actual programming is required to fully assess how far they address the gaps outlined in this report. A real concern is that projects with such large budgets will focus on spending resources on capital inputs 'for' communities

rather than build the intrinsic motivation and capacity of communities to make their own capital investments. For example, the proposal to support improved infrastructure for the Merille livestock market i.e. fencing for a fodder scheme. Given the volume of trade at the Merille market, the LMA should be encouraged to make these investments itself from trading income.

The modality via which programming is offered is very important. Consequently, filling the gaps identified at scale via NGO mechanisms is likely to be prohibitively expensive and unsustainable. As part of this study the consultants have been keen to identify approaches that have the potential to be delivered at scale on a sustainable basis. Four initial proposals for potential interventions to address the gaps outlined on the basis described are set out in the following sections:

### 5.3 PROPOSED INTERVENTION 1: EXPAND AND SUPPORT GROUP STRUCTURES USING SELF-HELP MODEL

There is a clear need for supporting and expanding the savings groups. In Turkana, the ad hoc presence of savings groups suggests that the focus will need to be on expansion to more people, whereas in Marsabit – in addition to expansion – there is a need to provide more support to existing groups.

As outlined above, the current savings groups programmes are suffering from a number of weaknesses. They tend to focus on short-term outcomes – offering pay-outs at the end of year one – which result in a lack of substantive savings over time. This means that most people are using savings to smooth consumption and are not reaching the point where they can begin to invest in small businesses and to see more transformational change.

Therefore it is recommended that the current savings groups approach is strengthened by using a self help group (SHG) model. SHGs are similar in structure to savings groups. SHGs are designed to support people to address their needs and work together to facilitate change. One of the key means of doing this is to start a savings and credit scheme within the group. However, the SHG model specifically focuses on longer term change and transformation, and uses an approach that facilitates continued growth in savings.

As a result, the SHG approach sees groups investing in larger businesses, as well as in activities that help their communities (such as schools, health initiatives, etc.). Tearfund, a UK-based relief and development agency, has been implementing SHGs in Ethiopia for the last 11 years, with transformational impact. A recent evaluation of their programme found that the SHGs are yielding upwards of \$100 for every dollar spent.<sup>13</sup> The study found that, in the first year or two following group formation, most of the funds were used to smooth consumption. As groups continued to save and reached maturity, the focus shifted to investing in small businesses, growing

<sup>12</sup> See more at: <<http://adesoafrica.org/improving-resilience-and-economic-growth-in-kenyas-arid-lands/#sthash.U0qkzwPL.dpuf>>.

<sup>13</sup> Tsegay, E, et al. (2013). 'Partnerships for change: a cost benefit analysis of self help groups in Ethiopia.' UK: Tearfund.

**Table 3: Key Similarities and Differences between SGs and SHGs**

Similarities	differences
<ul style="list-style-type: none"> <li>SHGs/SGs are composed of 15 to 25 self-selected individuals who meet regularly and frequently to identify needs, provide support to each other, and save.</li> </ul>	<ul style="list-style-type: none"> <li>Savings groups generally operate in 9- to 12-month cycles. At the end of every cycle, the accumulated savings and interest earnings are shared out amongst the membership.</li> </ul>
<ul style="list-style-type: none"> <li>Groups pool their savings to make loans to each other on which they charge interest, which, in turn, increases the loan fund.</li> </ul>	<ul style="list-style-type: none"> <li>By contrast, self help groups do not typically share out at the end of each cycle, but rather take a long-term view of their group's formation, including maintenance of funds within the group's account over the long term.</li> </ul>
<ul style="list-style-type: none"> <li>Many groups also have an insurance fund (sometimes referred to as a social fund) that serves a variety of emergency and social purposes, according to rules set by the group.</li> </ul>	<ul style="list-style-type: none"> <li>The overall ethos of the self help group approach is very much focused on community relationships and support, and starts with a problem solving approach. By contrast, the starting point for savings groups is a financial one.</li> <li>SHGs can have longer-term support structures that facilitate continued growth of the group.</li> </ul>

those businesses, investing in new businesses and ultimately becoming very involved in effecting change in their communities. According to study data, incomes typically increased by 2.5 to 3 times those of the control groups; families moved from eating 1–2 meals per day to 3+ meals per day; and all children are now sent to school – many of them to private school.

Further to this, the SHG approach becomes self-sustaining and is, relatively speaking, low cost. No external support is provided to the groups (in fact, this goes contrary to the theory of change behind SHGs and SGs); rather funding is used to mobilise people, support group formation for the first 1–2 years, and provide training on financial literacy and other key concepts.

The existing savings group infrastructure and capacity can be built upon by bringing in more elements of an SHG approach and it is believed that this will help to address some of the current weaknesses and limitations of the existing savings groups in northern Kenya.

### Next Steps

- Survey the main savings group approaches being used in northern Kenya, identifying the main actors; and assess their interest in supporting the expansion of the SHG approach in each county.
- Convene a forum/workshop for knowledge sharing and good practice around current approaches and ways to improve on current approaches. The forum would include all those currently implementing savings groups and other similar approaches, as well as representatives from Tearfund who would play a key role in sharing good practice around the SHG approach. The specific outcome of the workshop would be to identify the core elements of a cooperative plan for increasing, strengthening and expanding an SG/SHG model for northern Kenya.
- Agree role and responsibilities of Tearfund in supporting the modification of existing SHG facilitation and training tools for the northern Kenyan context.

- Develop a detailed proposal to introduce and roll out SHGs in both counties.

### 5.4 PROPOSED INTERVENTION 2: DEVELOP LOCAL, HIGH-QUALITY COMMERCIAL AND TECHNICAL TRAINING COURSES

To address the vast commercial and technical gaps in communities' knowledge and practice, it is proposed to develop directly relevant vocational training programmes that would facilitate much greater learning and knowledge in the resident population. In Turkana, an ideal opportunity for this is emerging with the establishment of the Mount Kenya University (MKU) campus on the outskirts of Lodwar. Twenty acres of the 100-acre site will be used to build an Agri-Business Centre of Excellence. The campus will be operational by the middle of 2014. As mentioned in Section 4, MKU are already offering a range of four- to eight-week short courses for which there are no admission requirements. MKU is a professional, for-profit education provider showing a demonstrable interest in investing in tertiary education in the county. They have significantly more capacity than either of the County Education Ministries who are currently responsible for public tertiary education provision.

The challenge is to develop a set of highly relevant and practical courses in critical gap subjects such as:

- Basic to advanced business skills and commercial literacy;
- Dry-land and irrigated agriculture;
- Livestock production and marketing; and
- Sustainable fishing, processing and marketing.

Ideally, the courses would replace the multiple, ad hoc courses provide by and through NGO/UN agencies. Most agencies are already funding repeated and duplicative training in these areas. Many are already using Equity Bank's financial literacy agents to provide financial literacy or business training.

Buy-in from the County Council and NGO/UN agencies is essential. Ideally, these would work with a course curriculum/content specialist (based in MKU) to develop a set of courses that effectively cover their current core topics and modules. Courses should be as practically based as possible, encouraging experiential learning rather than didactic, rote learning which is too often the standard approach in Kenya. Trainers or certainly guest lecturers could be provided by agencies and line departments and the agri-business centre should be able to showcase practice. Equity Bank agents could be seconded for key business modules and mentoring. Students would be encouraged to access on-line resources and develop self-learning skills using the MKU IT centre. Short courses could be linked with different levels and would complement and reinforce each other as they would all be developed for the Turkana context. All courses should include the application of business and commercial thinking, for example, agricultural students encouraged to create a business plan for their own farm. Experience-sharing trips to expose trainees to new technologies will also be important.

Innovative short courses should enable trainees to not only get information but move through the learning process to enable them to apply facts and skills and to gain a much higher level of knowledge. Short courses mean that trainees should be able to apply skills immediately and, as they reap the benefits, increase their desire and demand for further courses. The course content should be capable of regular review and revision to be ever more relevant to the needs of the local community. Depending on the number of courses developed, and the frequency with which they are run, this approach could provide intensive, practical skills to several thousand individuals each year.

MKU would also be the ideal venue to house an innovations and technology hub. This would be a place where businesses and agencies could showcase new and relevant products and technologies. Many of the technologies that are commonplace in the rest of Kenya are absent in northern Kenya. Often this is because the distances and remoteness of populations, combined with their low purchasing power, mean it is not cost effective to market or distribute products here. The MKU hub could source innovations from similar centres elsewhere in the country<sup>14</sup> and trainees would be exposed to technologies otherwise unknown in the county.

So far, no similar opportunity has been identified in Marsabit. No similar private sector actors were identified and the Government institutions and capacity for tertiary education is weak. Further discussions are required with county officials to examine what inducements or incentives could be offered to bring in potential private sector or other players.

## Sustainability

As with all their services MKU will provide the training courses on a cost-recovery basis. The current cost of 10,000ksh is relatively cheap, but still way beyond the means of the target populations for whom the courses would be developed. It is clear that, initially, payment for courses would require a quite significant level of subsidy. The principal source of such subsidies would be NGOs and other agencies who are currently resourcing the majority of the business and technical training in both counties. Currently, a five day in-county training workshop for, say, 20 community members can cost an NGO 70,000–100,000ksh. It would be far more effective to pay for 10 members to undertake an intensive eight-week course at 10,000ksh per head<sup>15</sup>.

In addition, the County Councils do have funds for bursaries and scholarships for local youth that are programmed to increase. Another possible source of subsidy could include the oil companies who are very keen to support the economic development and skills base of local populations. They may even be able to support a bespoke course for the oil industry.

As far as possible, individuals or communities should part-pay fees for courses. This will ensure the participants are committed to learning and demand value for money. As demand for courses grows, willingness (and hopefully, ability) to pay is likely to increase. Instead of NGOs selecting trainees with communities it may be better to provide communities or groups with vouchers for training (again these would cover part, but not all, of the fees). Communities could then decide which individuals are best placed to attend which course. Trainees may then be obliged to share knowledge acquired with communities or groups.

## Next Steps

- More detailed conversations with MKU senior management in Thika to discuss feasibility of developing courses on the basis described and the establishment of a business hub. Establish the exact nature of the Agri-Business Centre of Excellence and potential for working jointly with local NGOs/UN and Government line departments to support the development and subsidy of courses for the target population.
- Advocacy on the approach with NGO/UN and county authorities. Identify key programmes where training funds could be re-allocated accordingly, particularly major providers such as WFP. Follow up with donors where required. Identify core key training modules.
- Further review of similar training programmes/approaches elsewhere.
- Detailed proposal, including costs, to establish courses, modalities, etc. Likely cost recovery and initial sources of subsidy.

<sup>14</sup> A Climate Innovations Centre is being established in Strathmore University, Nairobi.

<sup>15</sup> This is the current cost of an MKU short course in Lodwar.

### 5.5 PROPOSED INTERVENTION 3: DEVELOP COMMERCIAL AND TECHNICAL TRAINING AGENT MODELS AND EXPAND COVERAGE

The development of locally based facilities offering highly relevant and practical training courses is a first step in filling the skills and knowledge gaps of local communities. However, the number of people able to attend these courses will be limited by 1) the capacity of the facility; 2) the resources available to initially subsidise access; and 3) people's ability to attend. This latter point is important as even where funding is available, many people who would benefit most from such courses will be unable to attend due to their other roles and responsibilities. This is particularly true for women, most of whom could not leave children or livelihoods for eight weeks, but who make up the majority of savings group members. It is also true for older men who, as household heads, are primarily responsible for herds or farms. Unfortunately these are precisely the people for whom such courses would have maximum benefit. It is most likely that the majority of trainees on the above courses will be youth, particularly younger men, who are most likely to have slightly higher education levels. This is not a problem in itself as these youth will go back to these communities and engage in herding and/or farming. The challenge is to facilitate much wider dissemination and exposure of the same skills and knowledge to the majority of the population.

One proven approach is the agent model. Apart from Equity Bank's financial literacy agents, this model is almost non-existent in northern Kenya. Even the Equity agents do not work on a private or cost recovery basis. There are certainly issues around the extent to which this is currently financially feasible due to a combination of vast distances and an inability to pay. However, agent models have had much success in expanding the adoption of improved agricultural and livestock practices elsewhere in Kenya. The Sidai model is an ideal example. Sidai Africa Ltd. was established by the NGO FARM-Africa in 2011 as a for-profit social enterprise. The company now has 63 branded franchises across Kenya, called Sidai Livestock Service Centres. Each franchise is owned, managed or staffed by a qualified veterinarian or livestock technician. Sidai purchases inputs for its franchises from reputable suppliers and is able to negotiate better prices on quality products than individual veterinarians would be able to obtain by themselves.

Most Sidai franchisees were pre-existing business that joined the network. Many of the centres already had their own network of livestock technicians and community-based animal health workers to whom they sold drugs, semen and other products as well as offering them technical advice. These outreach workers are provided with ongoing training and information on livestock drug use and animal husbandry. In this way, services penetrate deep into remote rural areas accessing even the poorest farmers. Indeed, with funding from the Adeso REGAL-IR programme, Sidai has plans to set up 10 franchises in both Turkana and Marsabit. Sidai is very aware of the challenges of setting up so many centres in these counties and realises that they will take much

longer than normal to become profit making. With so many centres around the country Sidai can, and does, use profits from centres in high potential areas to subsidise those in ASAL locations<sup>16</sup>.

The proposal here is to examine in more detail how the Sidai model can be supported and expanded into other areas of expertise. Trainees emerging from MKU would be ideal candidates to be community-based business or agricultural agents. They will be local, will speak local languages and will be more easily accepted than outsiders. In addition, they are used to the harsh environments, so will not be looking for 'hardship' allowances or high incomes. Sidai has indicated it would be willing to consider expanding its outreach agents' skills base to include business or marketing advice; or support service centres to incorporate additional agricultural or other agents that would be linked to them.

Alternatively (or additionally) initiatives could be developed with other private sector traders or suppliers in main towns, in the counties or beyond (Kitale, Isiolo, Meru, etc.), to establish an outreach agent model for the target areas. The agent model must become self-financing at some point in order to be sustainable. Therefore, community members, or clients, should start to find the agent's services so beneficial they would actually be willing to pay. In many agent models, the user does not pay directly but through the purchase of livestock or farm inputs being introduced or supplied by the agents. This highlights another factor that often makes cost recovery difficult for such agent models: they cannot compete in an environment where there are ongoing subsidies or 'hand-outs'. Regular humanitarian programmes offering free livestock vaccination undermine the viability of Sidai outreach agents. Similarly, the NIB offers subsidised seeds and fertilisers to the farmers on its irrigation projects, which would undermine the viability of any agri-business agents. This accounts for the fact that virtually no private agri-businesses exist in the main towns of Katilu or Kainuk in Turkana's irrigation zones.

Kenya Markets Trust (KMT) has great experience of such approaches in other parts of Kenya and expansion into northern Kenya is part of their five-year strategy. Currently, KMT has started working in Wajir and is keen to trial their approach there before starting elsewhere. However, it is also being encouraged to work in Turkana by Tullow Oil. In Marsabit, it is likely that this role would be taken by ACDI/VOCA as part of the REGAL-AG programme. KMT is keen to avoid geographic duplication. It is not clear how much experience ACDI/VOCA has in this area in Kenya. Any intervention in either county would require buy-in by all partners affecting agro-pastoral production — particularly NIB in Turkana — but also other Government agencies who may see their roles as being undermined.

The role of MKU in supporting the identification and continued training and support of agents is likely to be important as Sidai's focus is on supporting

<sup>16</sup> Information provided by Sidai Africa Ltd.: <[www.sidai.com](http://www.sidai.com)>.

improved livestock health practices. Completion of a single MKU short course will not, by itself, make someone an 'expert'. It merely provides the student with slightly more knowledge on a key subject than peers in their local community. Effective agents would need continuous support and mentoring to ensure the success of the agent model. A business centre could be developed in MKU – possibly as part of the innovations and technology centre. This would host a set of business agents chosen from the most promising students on the short courses. These could be supported to become satellite business agents with additional technical skills in livestock, agriculture or other skills. Their skills base should ideally reflect their 'client' community. Initially, they would have to receive some form of retainer salary until communities' willingness to pay was developed. They could be supported with interest-free loans for motorbikes to enable them to access remote communities. They would be supported to complete additional short courses but would also work to continuously identify the gaps in knowledge and skills in the communities they serve.

MKU will have far superior IT facilities and access than any other institution in Turkana. Therefore, the MKU business centre could effectively become an open education resource centre whereby agents and any other groups could access the skills and knowledge required to improve their livelihoods. This would be a huge asset for self-help groups committed to self-organised learning. The centre would not need to have experts in every field but merely a facilitator trained to find and access learning materials on the emerging and constantly changing information needs of local communities. A similar programme is being supported by KMT in Western Kenya. There is significant interest in supporting climate change innovations and take-up of more sustainable technologies via the Africa Enterprise Challenge Fund and Kenya's Climate Change Adaptation Fund. Both funding and innovations being identified elsewhere in Kenya could also be linked in to support or strengthen the feasibility of such a centre.

### Next Steps

- Work with Sidai to consider expansion of its proposed service centres in Turkana and Marsabit to include a wider range of skills training. Specifically examine the costs and feasibility of expanded skills training to livestock outreach workers or additional outreach workers focusing on agriculture or business.
- Review similar programmes supported by KMT in the rest of Kenya to identify learning and elements that can be translated to northern Kenya. Identify an organisation to lead such initiatives.
- Examine the feasibility of a business service centre model linked with MKU development in Turkana and develop a sustainable funding model for the longer term.

### 5.6 PROPOSED INTERVENTION 4: TRIAL COMMUNITY SELF-LEARNING VIA COMPUTERS

Another option to address the critical skills and information gaps in these communities is to put the learning directly into communities via computers. E-learning is growing exponentially in other parts of the world and in the rest of Kenya, however, there are major barriers to this form of learning in HSNP counties – not least of which is highly limited network coverage. Clearly, low levels of literacy and lack of computer literacy are also issues. Nonetheless there is compelling evidence from elsewhere that illiterate groups, especially children and youth, can quickly master the necessary computer skills.

There are several benefits of this approach. Firstly, a computer, even without internet connection can be loaded with information and learning materials in all the aforementioned topics in this report. With the learning resources based in the community, all members can watch and access resources as often as they want. This would provide access to those who would never normally be able or willing to attend remote training courses. Many community members complain that they do not always grasp everything that is being taught in a single training session. This way, individuals can watch trainings again and again until they feel they understand them and they will benefit from further explanation by peers of any points not clear in the resource. Visual learning is a highly effective way of training illiterate groups. Even resources not in local languages can be translated by those in the community who speak Swahili or English.

At this point, it is not clear how many of the appropriate learning resources are available in audio-visual or software formats. Furthermore, there is likely to be very little in indigenous languages which would be the ideal medium of communication. Clearly some time would need to be spent identifying the resources available and in which languages. Dubbing audio-visual resources can be done relatively quickly locally; translating written resources may take slightly longer. A very quick and simple option would be to video lectures and training sessions from the relevant MKU short courses. Some effort would need to go into identifying and preparing materials but even resources in Swahili would be of much benefit. Core material to be loaded on any computer could include:

- Basic literacy and numeracy courses.
- Languages courses – particularly Swahili and English.
- Financial and commercial literacy courses.
- Individual and community business planning.
- Self Help Group (SHG) facilitation manuals (currently being developed into an App that can be translated into several languages).

- Documentaries, case studies and first-hand testimonies of success stories in business and farming in ASAL environments
- Practical training videos and background resource documents on:
  - Animal health and husbandry;
  - Livestock marketing;
  - Dryland agricultural;
  - Irrigated agriculture in arid environments;
  - Agricultural marketing and commerce;
  - Sustainable fishing, fish drying and fish processing;
  - Water harvesting structures and techniques; and
  - Construction and use of fuel efficient stoves.
- Any other advocacy/information resources local agencies may want to prepare for example:
  - Peace building and governance;
  - Dry-land ecology and environment;
  - Environmental threats to Lake Turkana;
  - Public health and nutrition information; and
  - Civic education and rights.

Over time, the nature and range of resources could be improved and developed in response to community demand and interest. Again, MKU (not in Lodwar) does run diploma courses in mass media and communication, film production, and animation. Supporting the training of local youth in each county to source and produce local training and documentary resources could be considered. Ideally, a local company would be established to provide services to a range of local agencies including the Government.

Initially such an approach would have to be trialled to assess its feasibility, popularity and effectiveness. The following approach is proposed as a starting point:

- **Computers are purchased by – not given to – communities.** This ensures computers are only provided to communities where there is intrinsic interest and motivation. Clearly the computers and the resources they contain should be marketed widely to communities e.g. via portable laptops. Interested communities or groups would provide an initial down payment after which they would receive the computer and make monthly repayments.

- **Communities would provide secure accommodation for the computer.** As part of the hire-purchase agreement the community would have to provide secure and weather-proof accommodation for the computer. A point person would be trained to manage use of all the technology and make sure it is used and maintained correctly.
- **Computers would be solar powered.** Computers would be robust and non-mobile with large screens and speakers given the expectation that they would be used to show audio-visual resources to groups. They would be solar powered but linked via mobile coverage so that the solar power source is shut down if monthly payments are not received. This limits the location of pilot computer sites to those areas with network coverage.

The longer term sustainability of this approach is a key issue to be considered in the pilot phase. Clearly the pilot phase will require subsidy in order to identify, amass and prepare the learning content to be loaded on computers. It is estimated that the hardware required i.e. computer, solar panels, speakers etc. would cost approximately KSh170,000 (US\$2,000) per unit. Bulk purchases would reduce this cost, however, the level of effective demand from communities at this price is unclear even on the hire-purchase basis proposed.

It is not clear which type of organisation would be best placed to lead the pilot. NGOs have a poor track record for bringing such ideas to financial sustainability. However, a private company set up by or aligned to an NGO (again following the Sidai model) is a possibility, as is linking it to the proposed MKU business centre. Other private sector investors could also be considered. The company would initially be supported by grant income from FSD and/or other donors but with a view to developing a multi-year business plan to profitability. Given the innovative and untried nature of the intervention, it would clearly be very hard to prepare a realistic business plan initially.

This approach is not an either/or option with the other interventions proposed here but is one that is worth trialling in addition to those above. Indeed, the trainees or agents identified in the other interventions would be ideal promoters of such a technology. The training and day-to-day work of business and technical agents could be used to develop content.

Whichever body leads the computer trialling, close monitoring of its effectiveness in terms of the impact on the target communities will be essential. Monitoring should not only focus on the increase in knowledge but also on the application of learning to support changes in income and other metrics related to financial graduation. Comparing the impact of the computer approach alongside the other interventions proposed in this report will not only be interesting but should be used to compare value for money between the respective interventions.

### Next Steps

- Identify any similar initiatives in Kenya or East Africa. This includes both the use of computer technologies in remote settings as well as the development of online training resources in the relevant topic areas. This research may identify potential partners for collaboration.
- Test idea with various partners and identify an appropriate organisation willing to lead the pilot phase and support transition to a private company. Initial candidates include INGOs and MKU.
- Build on any work done under Proposed Intervention 2 with MKU and local training providers to identify and develop core training resource requirements. Identify online resources very easily adapted for use in this context e.g. SHG facilitation guide, Equity financial and business training packs.
- Work with lead partner to develop full funding proposal for trial phase.

## Chapter 6

# CONCLUSIONS AND RECOMMENDATIONS

The detailed consultations and field work undertaken as part of this study have found the following:

- There is a critical gap in the failure of stakeholders, including communities themselves, to acknowledge and internalise financial graduation as a goal. In part, this is because of a failure to clearly define what such terms look like when achieved in reality. Consequently, the success of efforts to ‘attain financial graduation’ – or aligned objectives such as ‘build resilience’ or ‘achieve food security’ – remains vague (and arguably, unachieved). FSD must clearly define the term “graduation” and determine how it will be measured. The use of a balance sheet approach, drawing on the HEA, which compares household or community income and production against expenditure and consumption (modified for a disaster prone environment) would be highly valuable in this respect. Engagement and advocacy with other actors working to achieve aligned objectives in the same counties are to be encouraged.
- There are several opportunities for economic development in Marsabit and Turkana, the two counties studied. Transport links are currently too poor to make either area particularly competitive in national markets or value chains. This is particularly true of Turkana, where only livestock and fish have any financial viability outside of the county.
- The focus for economic growth and market development is clearly the main town centres within each county, where populations continue to grow. Some of this growth is due to inward migration of the rural population who can no longer maintain viable pastoral or agricultural livelihoods. However, there is also inward investment associated with construction and energy companies and the devolution of county structures. The ongoing road construction in Marsabit will provide vital new business opportunities, facilitating the sale of livestock and associated produce out of the county and decreasing the cost of basic foodstuffs from elsewhere.
- Turkana remains highly isolated from the rest of Kenya given the poor road infrastructure. This will continue to limit its competitiveness as a national source of livestock or associated products. Efforts to expand internal value chains and markets, particularly local food production, should remain a priority for its relatively large and expanding population. The best opportunities are in those areas with the potential to increase food production, particularly the Kerio/Turkwell irrigation zones and communities close to town centres.
- **The main constraint to financial graduation for the very poor, who make up the majority of the population in both counties, is their inability to take advantage of any of the economic development opportunities that are emerging.**

- Aside from this, there are many factors limiting the ability of the poor to engage with markets. The critical factors highlighted in this research include:
  - Lack of intrinsic motivation to reach commercial viability;
  - Lack of commercial literacy and business skills;
  - Low education attainment and opportunities;
  - Lack of technical and vocational skills; and
  - Lack of exposure to financial success and new technologies.

The gaps identified all focus on the software to enable communities to develop. Building the knowledge, skills and motivation of whole communities is hard and takes time. Programmes do exist to address some of these constraints but few are effective or at the scale required. Without more innovative, scalable and sustainable efforts to tackle the factors highlighted above, the poor in these counties will remain marginalised. The current approaches to training or skills transfer provided via NGOs and Government line department staff are ad hoc and patchy. Approaches are expensive and unsustainable and effectively represent a market failure.

## RECOMMENDATIONS

The gaps identified need to be addressed at scale, as sustainably as possible, and in modalities that can meet the variable needs of different communities. A series of interventions are proposed that attempt to address this:

### **Proposed intervention 1: Expand and support group structures using self-help model**

expand and strengthen savings group (SG) structures by incorporating the self-help group (SHG) model. This will ensure that groups are more than mechanisms for financial management but also focus members’ attention on longer term change and transformation out of poverty. The success of SHGs is based on good facilitation that develops strong group relationships that are sustained over time. The initial expansion of SHGs using faith-based organisations that are embedded in all parts of a population and have low staff/facilitator turnover has been very successful. Such an approach is highly feasible in both Marsabit and Turkana.

### **Proposed intervention 2: Develop local, high-quality commercial and technical training courses**

it is proposed to develop directly relevant vocational training programmes that would facilitate much greater learning and knowledge among the resident population. In Turkana an ideal opportunity to do this is emerging with the establishment of the Mount Kenya University (MKU) campus on the outskirts

of Lodwar. MKU is a professional, for-profit education provider with the capacity to develop a set of highly relevant and practical courses in critical gap subjects such as business skills, commercial livestock and agricultural production.

### **Proposed intervention 3: Develop commercial and technical training agent models and expand coverage**

develop a series of outreach agents to support the dissemination and application of knowledge and skills in the gap areas. These agents would be local and, initially, subsidised to develop acceptance by their client base until their operation on a cost-recovery basis could become viable. Agents will need to be linked and supported by organisations (ideally for-profits) that will support their continued training and the possible supply of technical products or innovations that support communities' increased productivity.

### **Proposed intervention 4: Trial community self-learning via computers**

a further option to address the skills, motivation and information gaps in these communities is to put the learning directly into communities via computers. The computers would be loaded with information and learning materials (written and audio-visual) in all the relevant topics highlighted in this report, translated or dubbed into local languages. Computers would be bought on a hire-purchase basis by people in the community with the interest and motivation to access the resource. The demand, impact and potential for cost recovery would be assessed as part of an initial trial programme.

It is recommended that detailed feasibility and funding proposals are developed with the relevant potential partners for all the interventions highlighted above.

## Annex 1

# LIST OF INDIVIDUALS AND ORGANISATIONS CONSULTED AND INTERVIEWED

Location	Name	Organisation	
Marsabit	Kura Omar – Director; Katy Grant – CEO; Villas – M&E manager	BOMA Project	
Merille	Wilfred Longelesh	Chairman of Melako Conservancy	
Laisamis	Yasmin	CBT for CARE in Laisamis and Chairlady for Napanungai women's organisations	
	Emmanuel Leopone	CARE CBT and member of other youth business group	
	Christopher Lerorin	Laisamis – Social Services and Adult Education Office	
	Mutuku Mwenga 0721 204897	Laisamis District Commissioner	
Marsabit	Abdirasak Sororia	Self made business man	
Merille	Hussain Turuga	Former Councillor for Merille Ward – now executive member of Merille Livestock Market Association (LMA)	
	Antonella Samani (Chair of group) plus 7 other members	Ate Matonyak COSALO Group Merille	
	Chachu Juma	Trained mason and small business man Merille	
	Abdinoor	Outgoing Chair Merille LMA	
Korr	Peter and Haliman – Boma Village Mentors (BMVs)	Boma – based in Korr	
	Keneto Lesirankangu	Boma Business group member	
	Sarhayo	Woman member of a Boma Business group	
Logologo	5 women Boma beneficiaris	Kule Gulale Women's group	
	Naomi Labarakwe, Waraso Labarakwe and Susan Lemoye	Sogagaro Women's Group	
	Mary Mergichan (Chair) and Lillian Asimkele (Treasurer)	Merigo Women's Group, Logologo	
	Benson Kinyua	Manager Equity Bank	
Marsabit Town	Esther Chiwe	Minister for Labour, Social Security and Youth Services	
	Josephine Vihenda and Diba Tari	CARE – Marsabit	
	Dr Kuria and Hassan Charfi	Director and Agriculturalist – KARI (Kenya Agric Research Institute)	
	Adan Mohammed	Equity Bank – Financial Literacy Trainer	
	Zedekiah Odiambo	Acting Manager KWFT (Kenya Women's Finance Trust)	
	Jayne Mogaki plus various other members	Wohanjirra Women's Group – Marsabit Town centre	
	Mohammed Hassan – Coordinator	HODI (Local NGO)	
	Habiba Ailo	Marsabit Women's Advocacy and Devt Organisaton (MWADO)	
	Turkana Lodwar	Josphat Wafula – Senior Programme Assistant	WFP
		Gabriel	Child Fund – Head of FFA Programme
Richard Mutua 0721 685403 and Anthony 0727 965013		IRC	
Wilimina Arekem – Livelihood Programme Manager		Diocese of Lodwar	
Gabriel Ekuom and Benson Long'or		Oxfam Field Manager and Livelihoods Team Leader	
Josphat – FFA Officer		Child Fund	
Tiya	Jackson Lore and 8 others	Committee of Tiya FFA site – Relief and Asset Management Committee	
Lodwar	Dr Margaret Kuchal	Turkana County Director of Education	
Nakwamekwi	Elizabeth Echoke –	Chair of Women's group in Nakwamekwi village	
Lodwar	Peter Lokoel	Deputy Governor – Turkana County	

Location	Name	Organisation
Kaitese	Mary Lor'eng and Mary	Kaitese Food for Assets Committee members
Katilu	Milton Loito - and various other committee members	Katilu Irrigation Committee
Lodwar	Job Nyorsok and Peter Elman (0727 147451)	Equity Bank – Lodwar Branch Manager and HSNP officer
	Felix Sialo	Director of Mount Kenya University – Lodwar campus
	David Kaikor (Deputy Chair) and Francis Nanok (Treasurer)	Lodwar Livestock Market Association
	Gabriel Edome – Chair	Lodwar Fish Market Association
	Jayne Njoki	Member of Diocese of Lodwar IGA group
	Elizabeth	Trader and member of DoL Saving and loan Group
	Billy	Friends of Lake Turkana (FoLT)
Nairobi	Nelly Otieno	CARE Kenya
	Henry Halkano	Marsabit NDMA (National Drought Management Authority)
	Fatuma Abdulkadir	Director of HODI, Marsabit
	Lucas Chacha	Oxfam Kenya Livelihoods Advisor
	Izzy Birch	Special Advisor to Head of NDMA
	Jeff Aranson and Wato Denge	Head of Programme Food for the Hungry
	Rob Groelsema	Chief of Party REGAL-IR (Adesso)
	Noelle O'Brian	Finance Innovation Climate Change Fund Co-ordinator
	Chloe Stull-Lane, Mike Field et al	Kenya Market Trust
	Michael Shaw	Consultant for Kenya Markets Trust
Christie Peacock	Sidai Ltd.	
Ethiopia	Keith Etherington	Tear Fund, Ethiopia
	Self Help Group and Cluster Level SHG in Nazareth	SHGs Ethiopia

## Annex 2

## FIELD WORK GUIDANCE QUESTIONS

**(A). COMMUNITY GROUPS - MEMBERS****1. Tell me about your group and how it operates, what it does etc?**

As required probe for:

**2. Selection Issues**

- How were members identified? How many members – limits to numbers?
- Are they the poorest? Was this a criteria
- Levels of literacy and education among members?
- What about non-group members – what do they do /not do due to lack of involvement?

**3. Group formation and start up**

- Whose idea was it to start group? External /internal
- What was the process
- Is group registered – as what/ with who? Has bank account?
- Explore levels of training and support (hours per week/month; for how many months /years; subjects/ issues trained in for training; do guidelines and resources exist)
- Who provides training and support ? Is this sufficient / good quality?
- What other support in addition to training supplied e.g. start up capital/ equipment etc.
- What were the main challenges or problems encountered in forming and running the group to date?
- How were they resolved?

**4. Group activities****Saving and credit**

- Individual saving levels
- Who borrows when? How much? – has this changed over time?
- Interest rate / repayment schedule?
- Rate of capital growth – would members borrow more / more often if it was possible?
- How is money used – mainly / initially / more recently (any changes?)
  - Non-IGA
  - IGA (see below)

**Income Generation /Economic**

- List the key forms of IGAs that loans have been used for?
- How are IGA activities identified? Are these individual or group run?
- What other activities have been considered? Why not implemented?
- Do they struggle for ideas or just the means to realise ideas? (explore)
- Discuss their perceived level of demand and ability to contribute to key value chains:
  - Shoats / other livestock
  - Milk /milk products / meat
  - Food – locally produced grains/pulses/ fruit/ vegetables etc
  - Fodder
  - Charcoal / fuel efficient cooking technologies
  - Services (bars/ restaurants/ hotels/ construction
  - Transport services
  - Others
- Explore what could be done to find/expand demand and improve ability to produce, process or trade in such areas?
- Gaps in capacity? How to fill?

**Non-financial activities**

- Has the group been involved in any other activities for any reason? E.g. advocacy, lobbying, social support
- What was result/ outcome?
- Could/should your activities in these area be expanded?

**5. Becoming independent**

- How long do you think you will maintain this group structure? Why
- Is becoming independent a goal?
- If yes, when and how could this/ did this happen?
- What is long term vision for group and members?

**6. Barriers to Growth and Expansion**

- What limits your growth and aspirations?
  - Capital (finance and equipment)

- Location – roads/ mobile coverage etc.
- Skills / knowledge / education
- Market information
- Etc
- How could these problems be overcome?
- Willingness to pay for capacity building support?

### 7. Outcomes and benefits

- What are the key benefits to members of being part of this group structure
  - Financial – over what timescale?
  - Non-financial – over what timescale?
  - Examine how far ‘financial graduation’ criteria are met and how long this took to achieve for all or some members

### 8. Other groups and structures

- Does the group have any links with other similar groups? Explore
- What are (could be) the advantages of linking with other groups?
- Do you know of any other sorts of groups you could / would like to link to in some way – explore and explain

### (B). COMMUNITY GROUPS – IMPLEMENTERS

1. What groups have you helped to establish?
  - Levels of support provided – training and other
  - Timeframe of support (donor led or ongoing?)
  - Cost of support (per group if known)
2. What was the objective or philosophy behind your group support project activities?
3. Do you have a criteria or a description of a successful group?
  - Is this defined by project proposal document? i.e. targets for group formation, capital accumulation etc?
4. Were your groups successful or not?
  - How many groups have been established? Survival rate?
  - Outline reasons for failure and success
5. Selection of Groups
  - Of location?
  - Of members? How many members – limits to numbers?

### 6. Success indicators

- Do you monitor financial graduation (or other benefits) of group members?
- What other indicators do you use to monitor progress and success?

### 7. Are any groups working completely independently?

- When does a group cease to require support?
- How or do you monitor groups now considered independent – for how long?
- Do independent groups link with any other groups or organisations?
- Any experience or evidence of linking with (other) cooperatives or marketing associations etc.
- Are any groups accessing credit from more formal MFI/banks?

### 8. Group problems and failure

- What are the biggest problems in setting up groups?
- How could /are these addressed?
- What are barriers / constraints to group survival, growth and wealth accumulation?
- Ideas for how these could be addressed?

### 9. Value chain opportunities

- What IGAs are groups involved in beyond petty trading – probe for success of offering goods or services to external markets
- What are the key differences between urban rural and very remote groups?
- Discuss how groups do (or could) engage with key local markets – livestock, milk/meat products, fodder, food stuffs, honey, other. . .
- What are the key gaps / barriers preventing engagement and / or expanded involvement?
- How could these be effectively addressed (for individual groups / at scale)?

### 10. Discuss issues for at scale growth and replication of groups

- Ideas for networks supporting/representing groups – range of services to offer/ viability of self-funding / key skills and capacity building required
- Resource centres – what they would offer, basis of delivery of services, who to operate?
- Ideas for expanding economic activities of groups – merging into producer/trader groups or marketing associations. How to replicate where this has been done successfully

## 11. New technologies

- What new technologies do you think could be introduced to improve group structure productivity?
  - In production and trading of key value chain items e.g. mobile phone market info, dryland agric techniques/micro-irrigation, fodder preservation and storage, milk processing
  - Group formation, management and relationship building plus financial management, accountability and book-keeping etc.
  - Basic education / literacy etc
  - Generic business skills training

**(C) GOVERNMENT REPRESENTATIVES /PARASTATALS**

Ask as relevant

1. What is the specific remit of your dept / office?
2. What particular activities do you support / undertake?
3. What is scope and scale of operations? Budgets/ staff/ beneficiaries?
4. Has your organisations supported the establishment or growth of any group/community structures (credit and savings/ cooperatives or others)?
  - a. Levels of support provided – training and other
  - b. Timeframe of support
5. Do you have a criteria for success?
  - a. Is this defined by project proposal document? i.e. targets / performance indicators etc?
6. Success indicators
  - a. Do you monitor financial graduation (or other benefits) of group members?
  - b. What other indicators do you use to monitor progress and success?
7. Were your groups successful or not?
  - a. How many groups have been established? Survival rate?
  - b. Outline reasons for failure and success
8. Selection of Groups
  - a. Of location?
  - b. Of members? How many members – limits to numbers?
9. Are any groups working completely independently?
  - a. When does support to a group cease to require support?
  - b. What is your relationship with groups now considered independent?
- c. Do independent groups link with any other groups or organisations?
- d. Any experience or evidence of linking with (other) cooperatives or marketing associations etc.
- e. Are any groups accessing credit from more formal MFI/banks?
10. Community Group Structures – problems and failure
  - a. What are the biggest problems in setting up groups?
  - b. How could /are these addressed?
  - c. What are barriers / constraints to group survival, growth and wealth accumulation?
  - d. Ideas for how these could be addressed?
11. Value chain opportunities
  - a. 30% rule – how implemented in practice locally? Any ideas for future
  - b. What economic activities do you support communities to engage with – probe for success of offering goods or services to external markets
  - c. Discuss potential for greater engagement of poor in key local markets – livestock, milk/meat products, fodder, food stuffs, honey, other . . .
  - d. How can engagement of most remote areas / populations be supported?
  - e. What are the key gaps / barriers preventing engagement and / or expanded involvement?
  - f. How could these be effectively addressed (for individual groups / at scale)?
  - g. What plans in place to address gaps in roads and mobile communications?
  - h. Is Government engaged in lobbying and advocacy for these services?
  - i. What engagement do you have with banks and other financial service providers?
12. Discuss issues for at scale growth and replication of groups
  - a. Ideas for networks supporting/representing groups – range of services to offer/ viability of self-funding / key skills and capacity building required
  - b. Resource centres – what they would offer, basis of delivery of services, who to operate?

- c. Ideas for expanding economic activities of groups – merging into producer/trader groups or marketing associations. How to replicate where this has been done successfully?
  - d. Any plans to improve markets (not just livestock)? (actual and virtual)
  - e. Any other Govt plans/ideas for attracting investment into area?
  - f. What role could / should Government agencies play in these?
  - g. What role could/ should others play?
13. What new technologies do you think could be introduced to improve productivity of poorest and improve markets?
- a. In production and trading of key value chain items e.g. mobile phone market info, dryland agric techniques/micro-irrigation, fodder preservation and storage, milk processing
  - b. Group formation, management and relationship building plus financial management, accountability and book-keeping etc.
  - c. Expand adult education / literacy etc
  - d. Generic business skills training

#### **(D) PRIVATE SECTOR / BUSINESS REPRESENTATIVES**

1. What is nature of your business?
  - a. List all activities / commodities / sources of income
  - b. Are some seasonal ad hoc?
  - c. Which are most profitable? Most potential for growth and scale up – why?
  - d. Reasons for choosing these activities?
2. For each commodity traded/ business activity:
  - a. Supply: Where bought? From whom? How often? Probe for scope in expanding or regularising supply chain from groups to improve price, availability and quality?
  - b. Demand: Where do you get information on market demand? Where do you sell? To whom? Strength of demand?
  - c. Views on prices – fairness / fluctuations / seasonality
  - d. Profitability
  - e. Volume and turnover – capacity to trade in greater quantities?
  - f. Availability – at all times of year – how to overcome supply gaps
  - g. Quality of commodity – available / demanded?
3. How did business(es) get started / growth?
  - a. Track start up pathway
  - b. Access to credit / capital? Role of savings groups?
  - c. Use of banking services – yes/no – why?
4. Plans and vision for growth
  - a. Where /how would you like to see this business grow?
  - b. How could you realise this vision?
    - Internal vs external factors
5. Main challenges facing viability / profitability of business?
  - Demand -Supply –Credit -Storage facilities/ refrigeration -Access/ transport / infrastructure
  - Taxes/ bureaucracy etc -Lack of skills / experience/ market information etc
6. How could these be addressed?
  - a. Role of self
  - b. Role of others – private / Govt / NGO / CBO actors
7. Linkages with other businesses
  - a. Involvement in any form of trade/business association or partnership? – how? What benefits?
  - b. Any form of co-operation with other traders/producers e.g. transport hire etc.
  - c. See any benefit in expanded or different forms of cooperation
  - d. Value / role of representative bodies to negotiate better operating environment e.g. market facilities, identification of buyers / new markets, regulations and taxation etc
  - e. Opportunities for joint access to credit facilities?
  - f. Skills and capacity building – needs? How are these currently addressed? What would be the ideal? Willingness to pay for such assistance?
8. Value addition
  - a. Any opportunities to add value to commodities traded / services provided?
  - b. Experience / knowledge of this done elsewhere?
  - c. What new technologies / techniques / equipment could improve your productivity?
    - Mobile phone / solar / internet based



