

LOLGUNIANI: A PARTNERSHIP FOR PROGRESS

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Country: Kenya

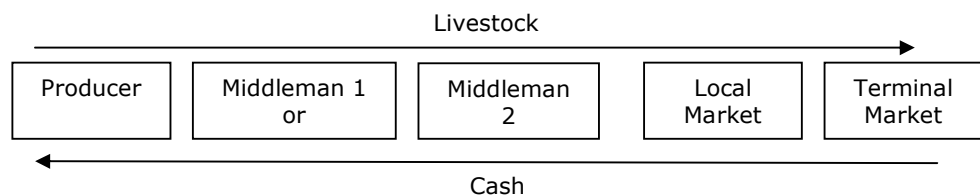
Sector: Livestock

CHALLENGE

Samburu District is predominantly semi-arid and characterised by erratic, unreliable rainfalls and frequent droughts. Ninety-eight percent of the households practice traditional pastoralism, raising goats and some sheep and cattle for their livelihood. Livestock and related economic activities generate most of the revenues for the local council.

For most pastoralists, livestock is not produced for subsistence alone. Livestock sales ensure conversion of the livestock value to cash currency when the need arises. However, as is common in most pastoralist communities in Kenya, inefficiencies in the livestock value chain result in low returns for the producers. Common challenges include high numbers of middle men, long distances often over difficult terrain to the marketplace, mortality en-route, high transport costs¹, local charges en-route, insecurity and theft of stock. Limited education and literacy among producers hinder their negotiation ability, thereby compromising their profit.

In a typical scenario, producers sell livestock to a trader (middleman 1) within the village, or to an itinerant trader. These traders walk the animals to an intermediary market, which could be more than 50 kms away, and sell the animals to another trader (middleman 2), who transports the animals to the terminal market. In most cases, the first middleman does not have the resources or time to negotiate the means to transport the animals to the terminal market, and sees it as being more efficient to sell to a second middleman. When compared to the prices received by the second middleman at the terminal market, the price received by the pastoralist producer is less than half.



Interior livestock markets, set up in or around villages and, therefore, closer to the producer and conducted in the local dialect, potentially cut out one level of middlemen and are a more lucrative option. If developed and linked to the appropriate terminal market, they have the potential to increase participation at the marketplace for even the poorest pastoralist producer. However, these markets are often set up in areas not accessible to people living outside the area, and have posed a challenge to the county council for revenue collection and to the Veterinary Department for monitoring and controlling livestock diseases; therefore, the practice has been discouraged.

SNV in partnership with Samburu Integrated Development programme (SIDEPE), a local NGO, and Samburu County Council explored establishing interior, primary markets with the aim of increasing income for the producers and, thereby, the county council, without compromising the quality of the produce. This case describes the successes and lessons learned from this business model.

¹ Ranges from 14% - 36% of the original cost of the animal (Source: Kenya-European Commission Study on Livestock- Agri-consortium 2003)

The goal of the assignment was to increase incomes from livestock trade, through better access to markets and reduced transaction costs. The objective of the assignment was to develop the capacity of SIDEP to become an effective supplier of business development and market linkages services to the livestock value chain with the ultimate objective of increasing producer incomes.

Step 1 – Brokering discussions with the County Council

SNV and SIDEP had discussions with the county councils for the establishment of the interior market. The council's concerns regarding such markets had to be addressed, and mechanisms for the management of the proposed market had to be developed taking into consideration the needs of each of the stakeholders involved.

Step 2 – Establishing Livestock Marketing Associations

The amorphous nature of communities is a common challenge faced by institutions wanting to engage with them. To address this, the community members were organised into Livestock Management Associations (LMAs), which enabled partnerships with the county council.

Step 3 – Strengthening Networks

The success of the LMA is contingent on the support it receives from the District Livestock Management Committee (DLMC), which provides capacity building, supervision and audits the books of the LMA. The Kenya Livestock Marketing Council (KLMC) in turn, strengthens the capacity of the DLMCs, seeks international markets for livestock products, lobbies the government to reduce local livestock trade barriers, and mobilises funds for its constituents. Strengthening these networks is imperative to ensure a viable and successful livestock market.

While the DLMC and the KLMC provide capacity to engage in markets outside the local realm for the markets themselves to function, it was crucial to formalise the LMA-County Council partnership, especially with regard to the management of the market and revenue sharing principles and mechanism. SNV and SIDEP facilitated discussions between the two parties to ensure that the roles and responsibilities of each side were clear and mutually acceptable, while the issue of division of revenues did not threaten the success and future of the market.

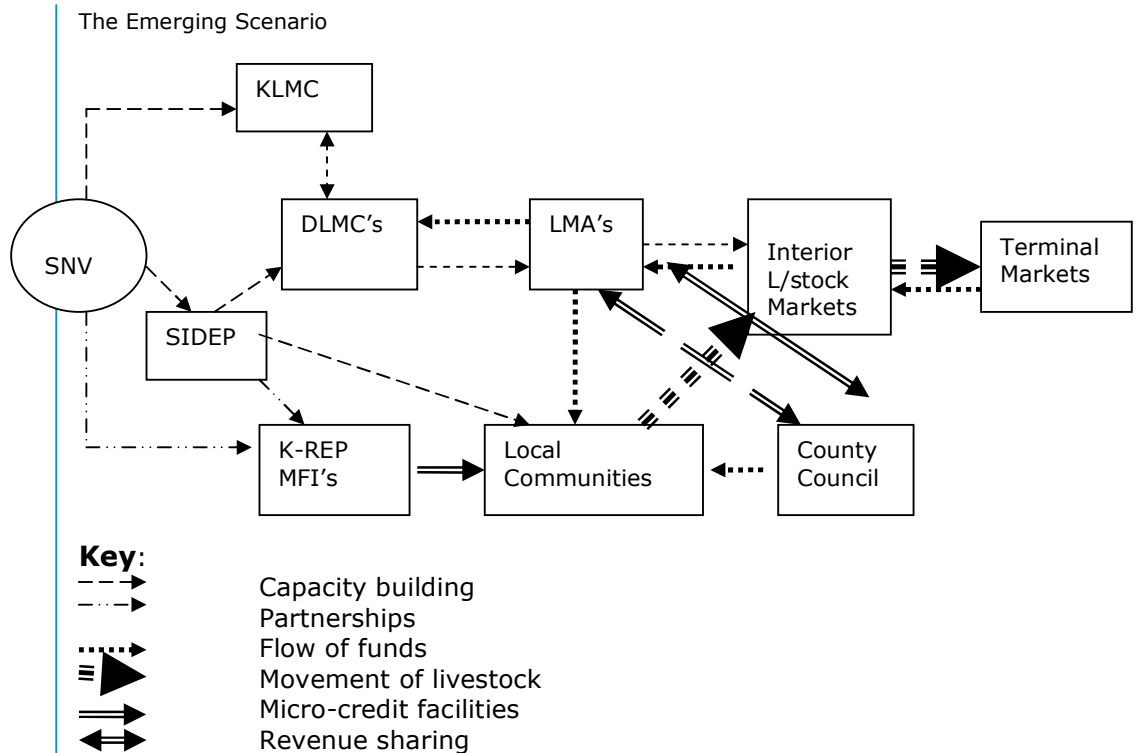
Step 4 – Advertisement of the Market to Distant Buyers

The original concept was to reduce the number of transactions, thereby increasing income for the producers. To achieve this, the participation of distant buyers was necessary. SNV, therefore, facilitated a process to develop a marketing strategy and materials to advertise the market in the major towns in the surrounding area.

Step 5 - Monitoring the Progress of Intervention.

This was a new model, providing many opportunities for learning. With a new model, it is difficult to anticipate certain developments, and if the risks and assumptions made are not monitored and managed, the model will collapse. Monitoring the risks and assumptions and ensuring that the implementation of the model responded to the emerging needs was a critical component of the SNV activities.

The activities outlined above have led to SIDEP and SNV with other stakeholders including K-REP (a local micro finance institution), Samburu County Council, KLMC, DLMC and the LMAs developing a business model as illustrated below.



IMPACT

At the Community Level

The Lolguniani community is composed of approximately 800 households, with a population of about 4,000². It is situated more than 200 kms from the nearest town, Isiolo. The road network is underdeveloped, and not tarmac, making accessibility poor. Basic services are hardly available to the community. The establishment of what has developed into a vibrant interior market has increased the income at both the individual and community levels, and as a result there are more resources (financial and non-financial) to enable development in the area.

The number of transactions has reduced, and the producers have been able to increase their profit margins by 40%-50% per animal. On an average day, the market can turn-over between 700-800 goats, 100-150 cows and 15-20 camels. Not counting the petty and peripheral trade, this translates to approximately Kshs 3,000,000 revolving within the market on any market day.

The ease of accessibility to the market has enabled women to participate in a hitherto predominantly patriarchal venture. Livestock trade no longer remains the domain of wealthy traders and local men. Women sell their wares which include food, clothes, household wares and handicrafts, and comfortably contribute to the family income. On average, the women make profits ranging between Kshs 1,000- Kshs 1,500 (16 Euros) to 3,000 (33 Euros) every week. Local youth are also involved in livestock and other petty trade. Cattle raids and petty theft have been markedly reduced.

On average, approximately Ksh 4 million (€44,000) circulates within this market. This had led to the growth of subsidiary businesses such as hotels, butcheries and other shops. Apart from livestock trade, the interior market has brought many other goods and services closer to the community, including veterinary services, household wares and second hand clothes. These goods are available every week, whereas before people had to wait to go to the nearest town to access these products.

Seven nursery school teachers have been employed from resources accumulated from the revenue sharing scheme between the LMAs and the county council, enabling more than 20 children to access early childhood education. A revolving fund has been initiated for people involved in livestock trade, through which at

² It's estimated that there are 5 people per household within the location

least 23 traders have been able to access funds to the tune of Ksh 250,000 (€2,700) to purchase livestock and other supplies.

At the County Council Level

Livestock sales alone have increased the council's revenue by 50%. The LMA-CC partnership has been mutually beneficial as it has provided employment opportunities to the youth for collecting the cess and managing the market, while reducing the operation costs for the council. Adding the savings thus made to revenues from livestock sales, the income of the council has increased by 70%.

The 50-50 formula for revenue sharing and the resulting benefits have increased the community's confidence in the county council, and they are more willing to engage in joint activities with the council, which is likely to improve the pace and nature of development in the area. Based on the amount of money in circulation during market days, SNV and SIDEP have initiated discussions with MFIs on facilitating community access to savings and credit facilities.

The goodwill nurtured and resultant flexibility in implementing procedures by the county council has been critical to the success of this project. This enabled activities to proceed despite the lack of an immediate gazetting of agreements. The MoU between the stakeholders is grounded in real needs, concerns and desires and are, therefore, adhered to.

In allowing the LMAs to use their official receipts in accounting for the cess to local communities, the council has lent credibility and legitimacy to the initiative and, therefore, the success of the business model.

The following are some of the key lessons learned:

- The preparatory meetings between SIDEP and SNV prior to the brokerage meetings with other stakeholders enabled the development of clear agendas and presentation of well-thought-through options for consideration. This hastened the decision making process, while easing stakeholder mobilisation.
- Home-grown solutions negotiated and developed in an honest and transparent manner are easier to accept and sell even to highly-bureaucratic institutions like councils.
- Interventions that build upon structures that are at least co-owned by the community with clear roles and responsibilities are easier to relate to and, therefore, easier to implement.
- Projects and initiatives where community members see a tangible, direct economic benefit are bound to succeed.
- Business models can be designed to directly and indirectly address gender imbalances

Scaling up the Initiative

The success of the model has been shared during SNV team meetings and field visits to Samburu have been facilitated by other SNV program leaders. Some areas, such as West Pokot, have already initiated an adoption of this strategy.

A detailed case study of this business model is in the process of being written, and will be used at the national level for learning and replicating in other parts of the country as appropriate. It is anticipated that the existing partnership agreement between SNV Kenya and the Ministry of Local Government will facilitate this process.

LESSONS LEARNED

OUTCOME