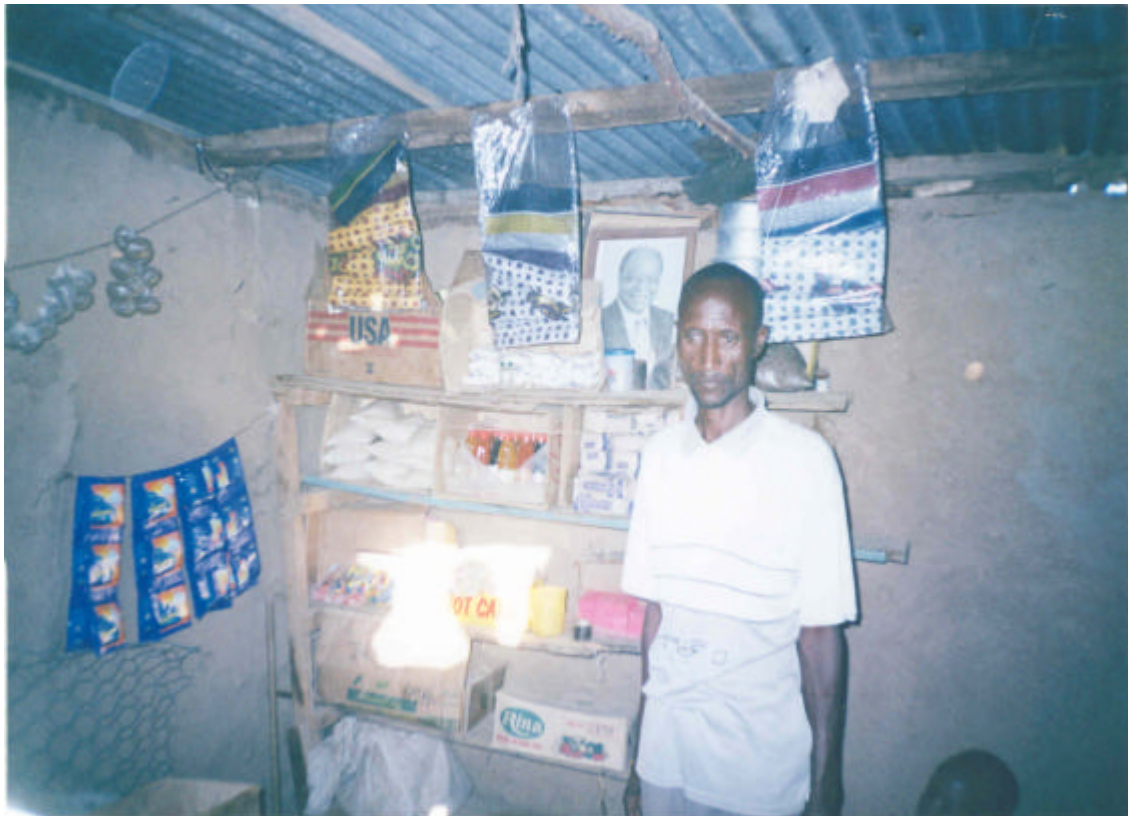


Small Business Support Strategy Report For



North East Turkana
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Submitted by:
Practical Action Consulting
Eastern Africa



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Acronyms

BSP – Business Support Project

CBA – Cost Benefit Analysis

CFW – Cash for Work

DfID – Department for International Development

FGD – Focus Group Discussion

FMCG – Fast Moving Consumer Goods

KADET – Kenya Agency for the Development of Enterprises & Technology

MFI – Microfinance Institution

NE – North East

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Practical Action Consulting EA

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1.0 Background

Oxfam GB has been operating in Northern Turkana for 25 years, mainly endeavoring to mitigate the vulnerability of the pastoralist communities which have had a history of limited capacity and assets to weather shocks and transitions. Oxfam GB has been supporting institutional development with pastoralist communities, education and peace building. Following the 2004 drought in Northern Kenya, the agency has been implementing various cash for work and cash for assets projects in North-East Turkana. The recent phase of these projects took place between January and July 2006, reaching 4,000 households, each of which received Ksh.10,000/=. The objective of Oxfam GB in undertaking cash for work initiatives was to enable the people of Turkana meet their basic needs. However, it is emerging that due to the increased availability of cash in the economy there has been diversification in livelihoods and reduced reliance on pastoralism will. A number of beneficiaries invested the CFW tokens to set up small businesses and are now endeavoring to build their businesses.

The cash transfer initiative has registered significant impact on the ground, with at least 30% of the total transfer amount being invested sustainably. Main areas of investment include restocking and setting up of small businesses e.g. grocery shops. Although the emergence of enterprises was largely a spin-off from the cash transfer initiative, it has been identified as a critical intervention area in as far as the objective of facilitating sustainable livelihoods is concerned. Based on this premise, Oxfam GB is implementing the Business Support Pilot Project over a period of 6 months, between November 2006 and March 2007.

The Business Support project is intended to provide well-focused support to the enterprises that have been established as a result of the cash transfer initiative. It is estimated that these businesses are between 100 and 179 in number. However, most of these businesses are not well established and their survival is threatened. Oxfam GB would like to understand the specific challenges, threats and constraints facing these businesses in order to provide well-targeted support to these businesses. Part of the support already anticipated is the provision of grants to boost the businesses and business skills training.

The main tasks constituted within this consultancy include; (a) analysis of the status of the business enterprises set up by cash transfer beneficiaries, prevalent business practices, skills and gaps (b) analysis of the strengths of and constraints facing businesses in the area of NE-Turkana (c) to develop requisite training modules and deliver training to requisite beneficiaries (d) avail recommendations that will assist Oxfam strengthen its small business development strategy

2.0 Executive Summary

It is estimated that close to 179 small businesses have been established as a result of the Oxfam GB cash transfer initiative. A number of these businesses were set up following the second phase of cash for work initiative which reached a total of 4,000 households before its conclusion in July 2006. The most prevalent form of business is grocery shops. A majority of these businesses were established using income from the cash transfer initiative. A few of these businesses had been in existence prior to the cash transfer initiative and were boosted by income from this initiative. The businesses are predominantly efforts by individuals and households to ease off the fragile pastoralist livelihood and to consolidate their economic security. Notably, most CFW beneficiaries and business proprietors are women and this may have to do with Oxfam's targeting policy which emphasizes on the woman as the best resource manager in a household.

Lack of exposure to business environment and to the cash economy is a handicap to several entrepreneurs and the main hindrance to starting businesses for most beneficiaries of CFW. It is possible that a greater number of businesses could have been set up if the orientation of beneficiaries could have been influenced prior to the CFW payments. Several beneficiaries admitted that they did not set specific priorities or specific plans for the cash – it took them by surprise so that they just spent the money impulsively. Holding cash is a rare privilege for many of them and as a matter of fact in some areas entrepreneurs admitted that they have difficulty in differentiating cash denominations and identifying genuine Kenyan currency!

The business skills of proprietors are inadequate. Most of the proprietors are getting by through improvising ways of running businesses. Although some of their measures are serving the purpose to some extent, they are also contributing to business losses and consumer exploitation. Examples are; grocery stores selling goods which require weighing are using crude means which may lead to losses or surplus gains for the business. Product pricing is done through a semblance of cartel operations, whereby shop owners in a given center agree and fix product prices. Usually the prices are way beyond what they should be e.g. 1 kilo of sugar currently sells at ksh.150/= despite the fact that the cost price to the proprietor is at maximum Ksh.92/= per kilo. Most proprietors appear not to know how else to fix prices, so many may not have the intention of exploiting customers. A majority of business proprietors did not seem to have a firm idea of the financial and non-financial needs of their businesses. Many expressed the need for finances but suggested unrealistic figures, with the minimum suggested being Ksh.20,000/= and the maximum being Ksh.450,000/=.

Limited market size and low purchasing power have been common challenges faced by these businesses. Yet a number of petty trade businesses dealing in similar commodities have mushroomed in various centers, operating in competition with each other. In addition to this, there are several glaring alternative business opportunities which remain untapped, mainly due to lack of awareness. Although most businesses have experienced problems in market, this has not been so severe for centers situated where there are other establishments such as military and police camps and frequent development activities.

Difficulties in accessing inputs are a leading challenge for businesses located in most areas away from Lodwar. This is occasioned by poor infrastructure and absence of

reliable supply systems and supply chains. This costs significant delays and costs of restocking; the magnitude of which leads to frequent and significant losses of business/income opportunities.

CFW has been highly appreciated across the board by all interviewed beneficiaries for the various benefits they realized. The positive Turkana culture of sharing has implied that even though Oxfam targets only 100 beneficiaries in an area consisting 10,000 total potential beneficiaries, the 100 end up sharing with the non-beneficiaries this token. Although most people did not indicate that they did not like sharing, a number tried to give suggestions on how they could mitigate the effects of borrowing. Suggestions ranged from increasing the CFW amount and/or raising the number of beneficiaries targeted.

Turkana pastoralists were accustomed to barter trade which was perceived as a means to exchange excess resources in order to acquire other types of resources which one lacks or needs. Therefore, business within a cash economy is largely a new experience for most of the CFW beneficiaries. This implies that the beneficiaries who have set up business will require intensive orientation to business and entrepreneurship, complemented by effective market development initiatives, in order to enhance their survival probabilities within mainstream economies. Oxfam GB on the other hand will need to put a strategy in place to refocus and/or strengthen existing enterprises, support the exploitation of emerging market opportunities and to address business constraints and opportunities.

3.0 SUCCESS FACTORS BEHIND THE ESTABLISHMENT ENTERPRISES BY CFW BENEFICIARIES

3.1 Introduction

The CFW program has had a few spin offs, key of which has been the establishment of approximately 100 business enterprises. Most of these enterprises constitute of petty trade in consumer goods such as sugar, cooking oil, tea leaves, tobacco etc. Following the Small Business Support Pilot project Oxfam, has developed keen interest in learning reasons behind the establishments of the approximately 100 enterprises out of the 4,000 households that have benefited from CFW. What are the factors that led to the establishment of the 100 enterprises?

Initial hypotheses include the following:

1. The individuals or households behind the establishment of the 100 enterprises could have been comparatively better off, economically, even before being enrolled for CFW, than the rest of the CFW beneficiaries
2. The CFW beneficiaries who managed to start enterprises are situated in strategic locations such as places with a good catchment of customers/patrons, or at border points
3. There is variation in levels/patterns of enterprise establishment depending on the nature of CFW activities i.e. this will vary in areas where the emphasis was on community assets and in areas where emphasis was on individual assets
4. The age bracket may have a bearing on the setting up of enterprises.
5. Destitution may have a bearing on the level of enterprise establishment.
6. The enterprises may have emerged as a result of an enabling environment, such as security, reasonable infrastructure, access to business services etc.

To validate the hypotheses, discussions were held with groups consisting of business proprietors who have benefited from the CFW Phase II, on one hand, and groups of CFW Phase II beneficiaries who did not establish enterprises. The discussions were held in each of the sampled centers and were aimed at understanding the perspectives of both groups on why businesses were set up in a few cases and why businesses were not set up in many cases.

The field investigations revealed varying factors.

3.1.1 Socio-economics factors

1. Vulnerability

This was a primary factor that led CFW beneficiaries to set up businesses.

- Orphans and widows who have no (or weak) kinship support or social networks of support.

This category saw CFW as a now or never opportunity to establish a stable livelihood.

In Kakelae, Daniel Muya, an orphan gave his experience of not having kinship support or social networks and how he realized he had to fend for his 4 siblings, his wife and 2 children single handedly. 'I had done all I could during the time of

drought crisis to have an income as I did not have any one else who could assist me and my family. When I got cash for work, I realized that this was my opportunity to get out of financial desperation’.

A number of individuals in this group of beneficiaries had the advantage of not having several people depending on them, since their kinship links are weak. This meant that they did not have to share much of the CFW token with others and could afford to invest it.

- Pure pastoralists who had lost their livestock to drought and others who had lost livestock to raids by communities from neighboring countries (Merilles, Dong’iros). A number of these went through various humiliating experiences, such as being reduced to beggars, some had to resort to desperate efforts such as
 - Working at refugee camps e.g. collecting fencing stones or selling charcoal, fire wood to refugees
 - Social ills e.g. brewing illicit brews, prostitution

In Lowerang’ak, Auwa Ekidor, narrated how his family was decimated and their livestock raided by the Merille leaving him destitute and orphaned. He experienced a lot of difficulties in overcoming the trauma. When he got hold of the CFW token he resolved to invest and rebuild his financial situation in order to take care of his remaining 2 brothers who are school going.

- People who were previously hunters and gatherers and were equally affected by drought. This group has tried to affiliate with rest of community but have not gained acceptance. They have weak social networks of support and so being absorbed into CFW led them to consider starting businesses that could fully support them so that they could break out of cycle of poverty and not have to depend on the rest of their communities. Their survival has been greatly threatened.

2. Previous exposure to business/business environments

This appears to be a secondary factor. Although most of the business start ups seemed to have had previous exposure to business not all had had this opportunity. A number of them purely discovered business while grappling with their difficult life circumstances.

- A number of people interviewed indicated that they have had previous exposure to running business/es or as employees of a business person or close interactions with businesses/businesspersons. A number of the people interviewed narrated their experience either in trying business or working for a businessperson. In Mlimatatu, two of the women in the group gave extensive narrations of their earlier attempts to do business. In Kaikor, an orphan shared her experience in working for a water selling enterprise and how this inspired her to start a business.

3. Lessons from drought

Drought devastation is an additional primary factor that was exacerbated by vulnerability as described above. The vulnerable groups of people suffered worse effects from the drought due to lack of support/social networks. This made several of them realize that they needed to find a sustainable alternatives for their survival.

- Several people who had the opportunity to observe households that were engaged in other businesses apart from pastoralism were able to note how these households were not affected as severely during the drought. Indeed some households had no problem whatsoever during the drought and they survived it without going through hardships. These made many resolve to go into business if the opportunity arose so as to survive like those who were in business. In Natoo, one lady narrated her firsthand observation, of how a household which had set up a shop in the area survived and appeared 'unscathed' by the drought. This household had over the past years drastically scaled down pastoralism as a livelihood. This led her to believe that 'there is no future in pure pastoralism and for one to survive the best strategy is to set up a business that cannot be [directly] affected by drought, over and above pastoralism'
- A number of people were able to reflect and note that the frequency of drought was becoming high and many concluded that there is no future in pastoralism or at least one cannot survive on pure pastoralism but would have to complement this with other means of livelihood.

3.1.2 Factors related to individual characters/attitudes

1. Most entrepreneurs gave an indication that it took them a lot of prioritization, commitment and self-denial in order to set aside some funds for business start up
2. A number of entrepreneurs had wisdom enough to realize that NGOs, government and other well wishers will always not be there to help them and so they resolved to take a bold step towards self-reliance by setting up businesses.
3. Related to the above point, some entrepreneurs viewed Oxfam as a friend and were keen to put the CFW token to good use so as not to 'let the friend down'. They were grateful for the assistance that Oxfam had brought to them and desired to honor Oxfam by being able to give a good, tangible account of how the assistance had been used.
4. A good number of entrepreneurs had gone through a lot of humiliation having resorted to begging which to them was not an honorable thing and as a result they resolved to go to any length in order to break out.

3.1.3 Others factors

Participants who did not manage to start businesses also stated that some of those who started businesses had some of the following advantages:

1. Some beneficiaries at least have a working class relative who provides them with financial and material support, so the CFW payment was not committed to meet essential household needs in these cases and therefore could easily be invested. At Lowerang'ak, one participant stated, 'Some beneficiaries have son-in-laws who are in the military or police force, who fully cater for their household needs. i.e. their daughters are married to people working in the army, who are able to support the family in meeting their needs. This is not a privilege that all of us have.'
2. Some beneficiaries did not have many people depending on them i.e. the number of direct dependants and households that they are supporting is very low compared to the ordinary person.
3. Some beneficiaries were not that vulnerable and some already had income from other small businesses or livestock and so used CFW payment to just boost their businesses. This is a high possibility.

Considering a business that was set up after the Phase II CFW, and assuming it was set up around June 2006, it would have a stock value of less than Ksh.10,000/=. The assessed current stock value of some of the sampled businesses exceed Ksh.50,000/=. Going by the indicated stock turnover rates, the likelihood of building stock value from below Ksh.10,000/= to Ksh.50,000/=, within a period of 6 months is a low¹.

3.1.4 Why others did not start businesses

1. High dependency i.e. having a high number of direct dependants and other households supported
2. CFW payment was not adequate it was very minimal considering all the needs of the beneficiaries
3. Sharing culture of the Turkana meant that beneficiaries who received CFW payment had to share with other relatives
4. Piece meal payment of CFW token also limited the ability to invest and also meant that sharing with relatives also consumed more as each time a token was received, they had to share some amount.
5. Being familiar to only pastoralism, many lacked exposure to business or even had no idea of what businesses one can engage in.
6. Laziness and dependency mentality – a number of beneficiaries admitted that laziness and an attitude of expecting support from NGOs, government to ceaselessly continue, made them not to make efforts to invest
7. Although beneficiaries knew that Oxfam was going to honor CFW payments, they were taken by surprise when they received payments because they had not set any priorities or plans to invest the money at all. When they received the money they used it to meet their immediate needs and other needs perceived as critical. These needs included school fees, clothing, household items, shoes and beads for daughters.

¹ This is so especially in areas which are saturated with shops selling similar products and considering the difficulties and dynamics of restocking indicated by interview participants. Most participants stated that they do not restock until they exhaust a stock fully. Due to transport difficulties, it takes a minimum of 1 ½ weeks to a maximum of 4 weeks to get stock from Lodwar. On average it takes 2 ½ weeks to get stock from Lodwar.

4.0 PROJECT BENEFICIARIES KNOWLEDGE, PRACTICES AND GAPS REGARDING BUSINESS MANAGEMENT

4.1 A profile of businesses

Over 95% of the beneficiaries interviewed had set up shops selling consumer products, with sugar, cooking oil/fat, tobacco, tea leaves and omo detergent being the most commonly stocked goods by all the shops while a fewer shops stocked; wheat flour, salt, match boxes, and bar soap, long life milk, roiko, rice, sorghum, maize and maize flour in addition to the more common products. Other goods popularly stocked, but only by a few shops include, 'akala' shoes², beads, razor blades, bed sheets, sufurias and tents.

Out of the 85 business owners interviewed, 66 gave a fair indication of their stock nature and the key findings were as follows:

- Approximately 94% of them stocked sugar
- At least 75% of them stocked vegetable oil and cooking fat
- 60% of them stocked tobacco
- Around 43% of them stocked tea leaves and at least 41% stocked omo detergent

About 80% of the shop businesses are situated at the periphery of rural market centers but are mainly simple open air structures constructed using timber and polythene sheets or tarpaulin. Only a few of the shops are enclosed mud built structures. Based on the sample of 85 businesses sampled, more than 90% of the shops are owned and run by women. The merchandize in the open air shops is displayed in open sacks for the loose dry groceries e.g. rice, sugar, beans, while sachet or packaged merchandize such as tea leaves/ roiko, are strung on a twine and hanged across pillars forming the shop structures, for display. Other products are displayed on a surface raised above the ground for the open-air structures or on shelves for semi-permanent shops.

The Annex section contains a table which shows current stocking patterns & profiles of 66 businesses that were sampled within 11 centers.

The common challenge faced by all these businesses is low stock turnover, mainly occasioned by:

- Largely low purchasing power of the potential and existing customers
 - Limited size of market/customer base due to the existence of similar businesses offering similar range of products
 - Seasonality of business due to irregular fluctuations in household/individual incomes.
- Business owners interviewed stated that there are days when they return home without having made any sales at all and then there are days, especially during CFW payments when they can take home as much as Ksh.6,000/=. A few state that during ordinary seasons, they could take home a minimum of Ksh.50/= and a maximum of Ksh.2,000/= gross sales.

This situation is an indication that there is a general interest by the people in these areas to set up businesses but there is limited capacity as far as business innovation is concerned. This was confirmed further by the similarity of business ideas shared by interview participants in the different centers visited. The range of business ideas was

² Sandals made out of old car tires

narrow, although in around 2 cases unique business ideas were shared. It must be appreciated that having been traditionally accustomed to pastoralism and nomadic patterns, these people are not very much exposed to mainstream business, as a result of which they would have limited ideas of business.

The shared business ideas are elaborated in the section on 'Recommendation on Oxfam Strategy'

At least 3 business owners out of the 85 interviewed have diversified their business. Machu Lochilil of Todonyang also buys fish locally, dries it and sells it to Kakuma. Salome Ekitela operates a butchery besides her groceries shop. Daniel Muya of Kakelae, focuses mainly on traveling long distances to sell beads to people in neighboring areas of Meyan and Kokuro.

Out of the 85 business owners interviewed, at least 3 illustrated entrepreneurial inclinations. One lady, in Kaikor was able to identify a need for maize milling services, which are virtually absent from Kaikor and the nearest they can be found is at Lodwar. She was able to articulate her growing interests in tapping this business opportunity but shared that capital was her limitation. A young man in Kaikor was able to perceive the need for mobile fuel provision services along the less traveled roads in NE Turkana and was grappling with how he could raise capital to engage in this as a business. Auwa Ekidor, from Lowereng'ak was able to convincingly share his assessment of a business opportunity in establishing a wholesale in that area. Although several business owners who were interviewed shared their business ideas, the 3 business owners were singled out for sharing unique but high potential business ideas.

4.2 Prevalent business practices, skills and gaps

In Summary, the following business practices, skills and gaps were observed:

1. Rampant replication of businesses i.e. almost all enterprises appear to be based on selling similar food items and a few non-food items e.g. matchboxes, razor blades etc. There appears to be no conscious prior meditation/ feasibility assessment or attempt to understand the workings, market size and profitability of a business, but the practice is to do what the majority is doing. Upon being asked why they selected the particular business of a shop, one participant stated that, 'our friends who have been operating similar businesses encouraged us and told us that it is a business with a good return'. Yet another participant stated, 'After being harassed by shop owners while seeking goods on credit at the height of the struggling to cope with the drought, I decided I would set up a business to soothe my 'injured' emotions.'
2. Several participants indicated that they were totally illiterate, as a result of which they have no reading, writing skills or even numeracy/counting skills. This also limits their ability to keep any type of business records. They have difficulties in keeping records of creditors/debtors and the normal practice is to ask their creditors/debtors to write down for them what they owe them! This has led to a number of them experiencing losses.
3. A number of participants indicated that having gotten accustomed to barter trade which involves goats, beads and maize as the currency, they are not familiar with

cash currency and are unable to differentiate denominations! The practice some of them have is to ask customers to identify these for them! Once again, this has led to a number of them being exploited by their customers.

4. Profit tracking against individual line of products or stock is not an area of difficulty per se, according to the perceptions of the interviewed participants. The practice is to maintain as many containers as the lines of product/stock one has and then to store income for each product separately. The only shortcoming of this method is that for most of the shop owners, they are not able to restock until they exhaust a given stock. This is because they are reluctant to mix incomes from different products for fear of losing track of income/profit from each specific product. This is an indication that management of complex cash flow is an area of deficiency – here complex is relative as it means the combined cash flow from between 4 to 10 product lines/stocks.
5. Product pricing, profit and credit management are challenges to business owners.
 - Most products are priced very steeply so that the customers are over charged for consumer goods e.g. sugar sells at a price ranging from Ksh.120/= to Ksh.150/= per kilo when the cost price of the sugar delivered to the shop is actually Ksh.92/=! The common method used for pricing a product is through joint fixing of prices by shop owners.
 - Management of profit is a problem, whereby the business owners lack the ability to plan on its utilization. In the words of various interview participants, they would like to know how to manage their money; how much to plough back, what amount to consume etc.
 - Credit seems to be one of the causes of business downfall and it is perpetrated by the sharing culture of the Turkana. The business owners would like to know how to go about managing /dealing with credit.
6. Profit tracking alongside stock management: in some instances the participants indicate that they go at a loss with some of their products so that they have to supplement income from one product with income from a different product in order to restock! They come to realize that they have gone at a loss when the stock is depleted. Almost all of the business owners interviewed do not have measuring scales and yet deal in goods that need weighing out in various scales e.g. loose sugar, tea leaves, tobacco, rice, maize, flour, beans, omo etc. They improvise measurement containers and roughly estimate weights. This could be one of the reasons for going at a loss because chances that they over weigh may be present as much as chances of under weighing products. Other cause of losses could be; stock is also used to supplement household needs, poor credit management, inadvertent under pricing of product, among others.
7. Several businesses tie up excessive capital unnecessarily by purchasing a much bigger stock than they can turn over within reasonable time. A number of interviewed business owners have experienced expiry of stock (i.e. stock lasting beyond sell-by-date) and consequently, high losses to the business. Despite this, there is a prevalent culture of striving to have huge stock – most business owners admitted that their stock turn over was very low and yet when asked the form of support they would want from Oxfam, 90% requested for grants to increase their stock! Stock levels are not based on realistic market factors and considerations.

8. There is still a high tendency to engage in barter trade, which is not entirely negative except when it exposes the business to risks. Goats are the preferred 'currency' in this form of trade so ideally the goats are in turn sold in order to obtain cash payment. There are a number of risks with this arrangement;

- the risk of losing the animals to droughts and raids is very high and this was corroborated by a number of interview participants.
- the risk of going at a loss - listening to the narrations of most business owners, the cash payment obtained is normally close to the equivalent of the actual value of the goods, regardless of the extra costs and opportunity cost (number of days traveled on foot to transport animals and spent in the market, costs incurred for upkeep while on transit and in market areas, etc.). In some instances the market price for the goats may very well be below the value of the goods bartered.

There is low awareness of business risks and therefore high exposure of the business to risks. Risk management and efficiency in business engagements should be inculcated into the business owners' culture.

5.0 STRENGTHS AND CONSTRAINTS OF SMALL BUSINESS SET-UP

5.1 Introduction

There is wide acceptance by the North East Turkana communities that pastoralism as a livelihood is threatened and households can no longer rely on it solely. This has led to widespread contemplation of alternative livelihoods, among which is contemporary businesses. The interest in setting up businesses among these communities is very high, but the lack of guidance and continuous and active support, has stifled advancement in this area. There is significant potential for emergence and establishment of sustainable businesses in the area of North East Turkana, as indicated by the relatively wide array of unmet market needs.

However, the constraints to business establishment and survival are factors that need to be recognized and addressed in order to successfully bring about growth of business.

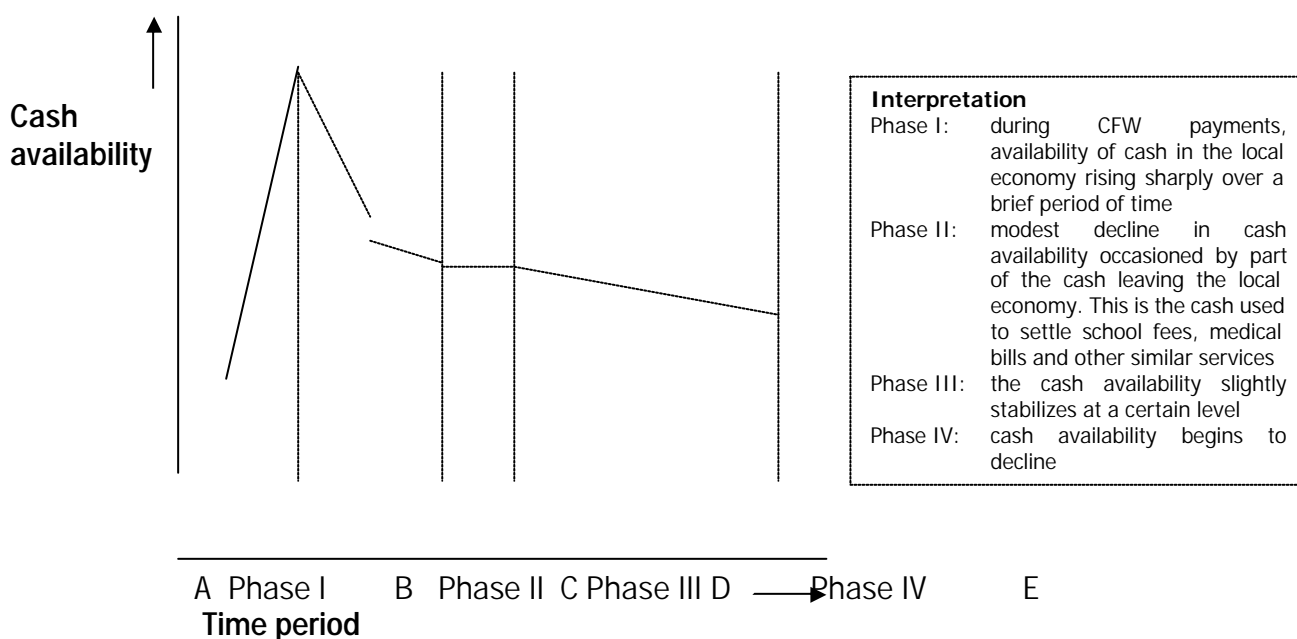
5.2 Constraints

- Transport is a big problem for all the centers sampled, in the following ways:
 - Goods transportation from Lodwar into the hinterland is very expensive. For example, in an area like Loruth, hiring a truck costs Ksh.40,000/=! Since the truck space may not be fully utilized by the requirements of just one shop, it normally is used on a sharing basis. Averagely, a shop may just be able to utilize, a maximum of half the truck space and yet is still required to pay the full amount of Ksh.40,000/= for a trip. This introduces other complexities, as truck owners attempt to combine and synchronize transport needs of several shops within a given route/area. This can lead to delays in transportation of goods and does not allow the shop owners to be flexible in re-stocking. Re-stocking can take between 1 week and even up to 1 month in some areas! It means that the shop owners lose business opportunities.
 - Lack of wholesale facilities in local areas, which means that each shop owner has to organize to get supplies from Lodwar independently –this introduces inefficiency in doing business
 - Impassability of some feeder roads during rainy seasons e.g. Loruth, Nakinomet etc. Some areas get cut off during rainy seasons such that they do not receive supplies during these periods.
- Lack of market or limited customer base. This is as a result of:
 - Replication of businesses which means the supply is far much higher than the demand; meaning competition is very high among the businesses. This also leads to very low stock turnover for most, indeed, it is only during CFW payments that some businesses get significant income from their businesses.
 - Low spending power locally – most households in a locality are pastoralists, with almost an absence of working class people in local areas e.g. police, army or even locals who are in mainstream employment
 - In some cases, there are products which are targeted for external markets e.g. handicrafts but the challenge is that they lack linkages to external markets/traders, intermediaries.

- Limited exploitation of business opportunities. Most people are not aware of additional opportunities for income generation and so these have not been tapped. As a result, there is over reliance on petty trade.
- High unemployment leading to high dependency on income earning households. On average, each income earning household supports 4 other households in meeting their basic needs. In addition to this, the average number of direct dependents per business proprietor 8 people (i.e. per household).
- Limited understanding of business and limited business skills. Most entrepreneurs have newly broken out of pastoralism and are currently trying to learn the ropes of doing business. Business is still a mystery to them which they are trying to figure out through practice.

Generally the economy in NE is weak, characterized by mostly inter-trading within the area, some bit of trading with neighboring countries but very limited trading within mainstream economy. Most income is spent on consumer goods and end use but little evidence of solid/concrete investments and savings. The populaces residing around centers where businesses are situated generally have low purchasing power. However, during CFW payments, there is a lot of cash in circulation and this situation (deficit) is temporarily reversed only to gradually return to normal. According to information given by interview participants, the trend in cash availability could be as indicated in Figure below.

Figure: Trend of cash availability in local economies around CFW periods



What this means is that despite the injection of cash into the local economies, the rate of growth is very low. When CFW amounts are injected into the local economy, a significant part of the amount is expended mainly at local market/retail outlets and mainly on consumer/end-use items. The market outlets soak up significant amounts of the injected cash. This would allow them to restock in the hope of tapping more of the available cash. Possibly the first round and part of the second round of restocking may be profitable but after that, with cash reserves of consumers having dwindled, the market outlets begin to

experience decline in business volume. Since more than 75% of CFW beneficiaries will not have invested their incomes from CFW, it means as they spend they gradually run out of money. On the contrary, the local market outlets get a windfall during that period but ultimately are unable to re-invest it meaningfully due to the limited purchasing power of the target market. In a sense, the local economy is revitalized when CFW payments are made only to grind to a near halt, as cash reserves dwindle. However, assuming that at the end of the CFW phase, close to 5% of the CFW beneficiaries set up micro businesses and approximately 20% of them invest in liquid assets such as livestock, there is a likelihood of continued economic activity though on a low scale and ultimately some growth will result in the local economy, though minimal.

However, CFW initiatives have largely been in pursuit of a humanitarian objective. The initiatives have not consciously sought a long term economic impact, but this is welcome if it occurred as a result of the initiatives.

There are opportunities of facilitating increased growth of local economies. The focal points of these opportunities will be the 'opening' up of the region and ultimately integration into mainstream economies. These can be attained by applying a variety of economic strategies. A few of these strategies are explored in the section on Oxfam strategy.

Based on the analysis of business practices, skills and gaps of the CFW beneficiaries engaged in business, a number of basic skill areas were identified. Interaction with CFW beneficiaries revealed that a majority of them will require highly simplified basic training in the area of business operations and entrepreneurship. The challenge of low literacy levels is prevalent and has implications in terms of the depth of skills that can be acquired in the short term. The proposed business skills are in the Annex section.

6.0 RECOMMENDATIONS ON OXFAM GB STRATEGY

6.1 Introduction

These recommendations touch mainly on:

- How Oxfam can strengthen its small business support strategy
- How the grants allocation can be handled – selecting beneficiaries, sizing grants etc

In tandem with humanitarian support, market development³ is gradually gaining favor as an effective vehicle for availing sustainable livelihood options to vulnerable communities. It is anticipated that market development will have a great impact by drastically reducing the vulnerability levels among communities living in drought-prone areas. It will enable communities to transition from emergency relief support to economic development support.

Although the main objective of the cash transfer initiative is to enable beneficiaries meet their basic needs, it has led to the mushrooming of micro businesses. There are a number of additional interventions that Oxfam can undertake in order to facilitate further market development and contribute to the ignition of economic growth in NE Turkana.

6.2 Possible Interventions

Strengthen existing businesses

As mentioned in section of this report, the main businesses that resulted from the cash transfer initiative are grocery shops. The challenges faced by these businesses mainly include; weak supply systems and chains, low purchasing power, lack of business skills among others. There is need to be cognizant that the survival chances of all these businesses is very low given the level of saturation and unfavorable market dynamics in some locations.

Oxfam could offer the following support in order to strengthen the existing businesses:

- a) Provide business skills training and orientation to CFW beneficiaries engaged in business.

These should be skills that will enhance their understanding of business and overall how to manage, grow and sustain a business. As part of training and orientation, the beneficiaries can be encouraged to adopt practices such as simple business planning, continuous evaluation of business and periodic review of business strategies. Further, the beneficiaries can be taken through practical steps of evaluating their specific businesses and generating critical decisions which could range from expansion, relocation, diversification, among others.

In order to derive lasting benefits, the training should strive to establish a crop of peer trainers and model business proprietors, following this first round

³ Market development is a term that is an offshoot of BDS (Business Development Services). It is an approach whereby donors fund implementing agencies to facilitate the well-rounded development of a market/markets in such a way as to bring about sustainable growth/emergence of micro and small enterprises and ultimately, improvement in their performance.

training. These categories of beneficiaries can then provide continuous learning opportunities for the majority through peer lifting.

b) Provide grants for business improvement and/or diversification.

Examples of applications of these grants include; stock building and/or diversification, access to working capital, acquisition of capital items e.g. posho mills, fish drier.

Most of the business owners interviewed were open to receiving assistance in the form of repayable loans, (with only a few being skeptical about suitability of loans).

Offering the beneficiaries loans instead of grants would have the following advantages:

- It would provide an opportunity to establish a revolving loan which would have better outreach and impact i.e. it would benefit more new entrants into business and would also be available for supporting ongoing businesses.
- It would encourage diligence and a sense of responsibility among the beneficiaries and thus enhance the success rate of businesses. Potential beneficiaries will appreciate the relevance of business planning and will appreciate the value of engaging in businesses which have better and consistent return. This is also likely to encourage beneficiaries to be more aggressive in their undertakings. Equally this arrangement may repel most individuals who are more sluggish.
- Beneficiaries will develop a healthy business culture where they will internalize customary principles of business. This will also wean off a number of them from the dependency syndrome.

When asked to indicate amounts of grants that they would need most beneficiaries appeared to be guessing. Less than 30% of the amounts suggested appeared realistic and modest while close to 70% were on the high side and unrealistic. This assessment is in regard to the fact that almost 100% of the business proprietors interviewed indicated that they had a serious problem with stock turnover in relation to low spending power within their market catchments. One participant proposed to get a grant of Ksh.450,000/= when the average value of daily sales in that area are below Ksh.250/= and stock turnover period for FMCGs on average is 5 months.

There are implications if this option is considered:

- The loan facility will increase Oxfam's portfolio of engagement in NE Turkana, which implies additional resources i.e. time, personnel, finances etc. Although the loan facility can be undertaken on a pilot basis for a period of 1 to 2 years and after this period can be handed over to a credible, fully fledged MFI which has a presence in Turkana (e.g. KADET), to manage.
- It may lag the project, since there will be a lot of preparatory work that must take place before initiating the loan facility e.g.
 - Taking this option may require renegotiating the terms of the Business Support Project with the donor.
 - Setting up legally sound mechanisms for loan disbursement and recovery

- The beneficiaries will need to be brought up to speed

Should grants be preferred to loans, the following criteria and procedure can be applied:

Grant beneficiaries should be selected based on the potential that their business holds to:

- Grow – this could include expansion of business or increasing range of products or services, diversification etc.
- Remain sustainable i.e. continue to survive **AND** generate reasonable income

6.3 Screening potential grant recipients

Of course the growth and sustainability of a business are dependant on various factors, a few samples could include:

1. Location and potential of the business

- Is it located in a strategic place where the catchment of customers is good? What number of customers does the business handle daily, weekly, monthly?
- Who are the customers/do the customers in this location have the ability to pay for goods?
- What are the daily/weekly/monthly volumes of sales?
- What is the re-stocking pattern? Re stocking pattern is based on a number or questions which include, Does the business stock level increase with each new cycle of stocking or does it diminish? Is the business stocking new products or just the same range of products always? How frequently is re-stocking done?
- These criteria should not be assessed in isolation but in combination. A single criteria on its own may give a different impression e.g. one may have 60 customers a day but who buy petty items and so end up with a daily gross sales volume of Ksh.200/=.

The following rating can be used as a guide for analyzing a business against the criteria of 'Location and potential of the business'

Excellent business: The business has monthly sales volumes of over Ksh.80,000/=. Over 75% of its customers are either working class or have consistent income from working class relatives. Restocks more than once a month. There is over 10% increase in stock with each new cycle and new product range at least every 4 months.

Good business: The business has monthly sales volumes of at least Ksh.50,000/=. Between 50 - 75% of its customers are either working class or have consistent income from working class relatives. Restocks at least once a month. There is at least 7% increase in stock with each new cycle and new product range at least every 6 months.

Average business: The business has monthly sales volumes of over Ksh.35,000/=. Between 30 - 50% of its customers are either working class or have consistent income from working class relatives. Restocks after between 1 - 2 months. There is at least 4% increase in stock with each new cycle and new product range at least every 10 months.

Poor business: The business has monthly sales volumes of over Ksh.20,000/=. Below 30% of its customers are either working class or have consistent income from working class relatives. Restocks after more than 2 months. There is below 4% increase in stock with each new cycle and new product range at least every 14 months.

2. Existing or potential business aptitude of the proprietor

- What is their history in business? Has their business grown and is this as a result of their innovativeness? In this you should probe, how stock level has grown? How range of products has grown? How profit turnover has grown?
- What is their motivation in undertaking business?
- What strategies are applied in ensuring business performance? E.g. does the business seek out other avenues for selling products apart from the fixed premise e.g. does the business employ tactics of 'following' markets on special market days, does the business find out other pressing needs of clients and try to meet it?
- What is the future plan for their businesses?
- What is the importance/priority placed on the business in the day to day activities? In that, 8 hours and above is very good; between 6 – 8 hours is good; between 4 – 6 hours is okay; below 4 hours may be a poor indications.

The following rating can be used as a guide for analyzing a business against the criteria of 'Existing or potential business aptitude of the proprietor'

Excellent business: Business has experienced a growth of over 30% over a period of between 6 to 12 months, attributable to proprietor's efforts/strategies. Proprietor is able to convincingly articulate business growth strategies s/he has while demonstrating ability to analyze and project business investment, income and requirements. Proprietor has undertaken some firm level of market research and will have a clear understanding of supply or source of inputs/services and the market. Will also be able to do (or think along the lines of) a CBA.

Good business: Business has experienced a growth of between 20 to 30% over a period of between 6 to 12 months, attributable to proprietor's efforts/strategies. Proprietor is able to fairly articulate business growth strategies s/he has while demonstrating ability to analyze and project business investment, income and requirements. Proprietor has undertaken some initial level of market research and will have a fair understanding of supply or source of inputs/services and the market. May also be able to do (or think along the lines of) a CBA.

Average business: Business has experienced a growth of close to between 15 to 20% over a period of between 6 to 12 months, attributable to proprietor's efforts. Proprietor is able to roughly articulate business growth strategies s/he has while demonstrating ability to analyze and project business investment, income and requirements. Proprietor has undertaken some small market research and will have a rough understanding of supply or source of inputs/services and the market. May not be able to do (or think along the lines of) a CBA.

Poor business: Business has experienced a growth of below 15% over a period of between 6 to 12 months, attributable to proprietor's efforts. Proprietor is unable to convincingly articulate business growth strategies. Unable to demonstrate ability to analyze and project business investment, income and requirements. Proprietor has not undertaken any level of market research and will not have an understanding of supply or source of inputs/services and the market. Is not able to conceptualize or appreciate CBA.

3. Risks

Examples of risks; drought, floods, livestock disease, theft, sickness, unserviceable loans, fraud, inflation, currency devaluation, stock expiry, credit/capital tie up

- Are there any risks facing the business and if so what is the nature of the risks, the levels of risks? Find out from proprietor, what their challenges are and you can ask specifically about risks.
- Are the risks manageable considering the nature, proprietors' capabilities, jurisdiction of risk etc?

The following rating can be used as a guide for analyzing a business against the criteria of 'Existing or potential business aptitude of the proprietor'

"Humanly manageable risk" This is a risk that a human being can be able to avert e.g. if it is theft, one can engage some good level of security; if it is stock expiry, one can avert this by being vigilant and constantly tracking stock; if it is credit, one can determine maximum credit allowances

Excellent business: Over 80% of risks that the business is exposed to are humanly manageable. Risks portend a loss amounting to less than 20% of total business investment. Business has a saving culture and saves more than 10% of net profit, monthly.

Good business: Between 60 - 80% of risks that the business is exposed to are humanly manageable. Risks portend a loss amounting to between 20 - 30% of total business investment. Business has a saving culture and saves at least 10% of net profit, monthly.

Average business: Between 40 - 60% of risks that the business is exposed to are humanly manageable. Risks portend a loss amounting to between 30 - 40% of total business investment. Business may have a saving culture and saves below 10% of net profit, monthly.

Poor business: Below 40% of risks that the business is exposed to are humanly manageable. Risks portend a loss amounting to above 40% of total business investment. Business has no saving culture.

These criteria are similar to those that would be applied in qualifying loan applicants. The assessment of beneficiaries against these criteria can be done by combining information obtained directly from them as well as making observation and deductions. A questionnaire can be availed/ administered and potential beneficiaries can be ranked against it. The highly rated beneficiaries can be prioritized and provided commensurate grants within the initial cycle. It is prudent that the size of the grant be determined on a case by case basis. For this purpose a template/questionnaire can be availed/administered to potential beneficiaries to facilitate them determine closely as possible grant sizes. The template/questionnaire can assume the format of a simple business plan. This will ascertain that the grant is well thought out and closely sized according to the business needs and growth strategies.

A few interview participants proposed to obtain grants in the form of actual stock instead of cash form. Once again the form of grant can be determined per beneficiary

and their unique requirements as opposed to applying a blanket approach. They feel that this will prevent incidences of mismanagement of grants.

The rest of the beneficiaries can also be awarded grants at the discretion of Oxfam, in the subsequent cycles. These can be between Ksh.25,000/= to Ksh.30,000/=. Oxfam can prioritize the business owners who have had a background of significant vulnerability, to benefit from this form of assistance.

The drought impact combined with conflict between neighboring communities has led to a rise in the number of orphans and widows. In addition to this, both these factors have rendered a number of households destitute due to loss of livestock. The effects of drought have necessitated the hunter and gatherer communities to change their lifestyle and integrate with pastoralist communities. In the course of making attempts to integrate with other communities, the hunter and gatherers have faced a lot of hostility and rejection. The orphans, widows and households which have lost livestock have also encountered a lot of difficulties in trying to fit into the society. A number of these people have the disadvantage of having weak social networks and where they have social networks, they are still unable to get consistent and substantial support, due to the high occurrence of poverty. These should be among the groups prioritized for the grants ranging between Ksh.25,000/= to Ksh.30,000/=.

c) Address the supply systems and chains weaknesses. This could be done through various ways:

One of the gaps within the supply system is the lack of wholesale agents within proximity or easily accessible locations for centers. This implies that businesses have to arrange to purchase their supplies from Lodwar – through processes which are complicated.

A possible solution for this would be to facilitate business owners who demonstrate potential, to graduate from being retailers to wholesaler level. A number of wholesale locations can be identified from various strategic centers. Key forms of facilitation can be; provision of grants for stocking and wholesale establishment, brokering linkages and partnerships between wholesalers and a number of transport providers in Lodwar, and providing business skills training for potential wholesalers.

Grant sizes for people seeking to establish wholesales could be between Ksh.200,000/= to Ksh.250,000/= depending on location. Oxfam can consider giving this grant in the form of stock, the form and size of which can be fairly determined through consultations with retailers. Oxfam may do this through using the voucher system. The cost of transport, which in all cases does not exceed Ksh.50,000/=: can be advanced directly to the beneficiaries or Oxfam could engage transporters directly.

This will mean that restocking will be done more efficiently and possibly lower the cost of products. It is advisable to facilitate more than 1 wholesaler in order to avoid the exploitative situation of a monopoly, however, this does not provide a fool proof guarantee.

Some strategic locations for wholesale would be Lokitaung, Kaikor and other centers that can become hubs for smaller centers. In addition to establishing

wholesales in strategic locations, transport needs to local centers can be assessed and solutions generated. The solutions will vary depending on physical terrain, volumes of products, culture, weather, nature of products etc. The solutions could be availing transport technologies e.g. animal draught, load-carrying bicycles or establishing local transport providers.

2. *Broaden market exploitation*

Turkana district, like most of Northern Kenya, is an arid area, which is physically isolated from the rest of the country and has remained excluded from mainstream government development initiatives. However, the area is not devoid of resources or market potential. The area has potential for a variety of agribusinesses and non-agribusiness opportunities such as:

(1) Cultivation and/or exploitation of;

- Aloe (mainly the Turkanensis variety)
Aloe is sold in the form of bitters. Bitters are the product that results from boiling and crystallizing aloe sap which is extracted from succulent aloe leaves by drip method. The product has international market and by 2004 was selling at Ksh.200/= per Kg of bitters in the Kenyan market. Aloe is highly used in the cosmetics industry, for pharmaceutical applications and well-being products.
- Neem (Mwarubaini tree)
The neem oil is a product that has high demand both locally and internationally. It is extracted from the seeds of the neem tree. The oil retails for approximately Ksh.2,500/= a liter. It is used in cosmetic and pharmaceutical applications.
- Sisal
Processed sisal export market that Kenya has is far from satisfied. Kenya has been importing sisal from neighboring countries for exporting to Europe, Madagascar and Saudi Arabia. The crop thrives even in the most hardy conditions.
- Cassava
This is a product that is important mainly for its starch and carbohydrate. It grows in very dry conditions and it can be marketed locally within Turkana and outside Turkana in markets e.g. Kitale, where cassava has a good demand.
- Acacia Senegal (gum Arabica tree)
The gum Arabica is a product tapped from the Acacia Senegal tree. It is used in the confectionary and pharmaceutical industry. It has good export potential but its marketing is dominated by few middlemen mainly of Somali origin.
- Doum palm
This is a palm tree variety which occurs in relatively hot and dry conditions. It is used a lot in building. The treated doum palm wood is gaining popularity in the market and is commanding very good prices locally and regionally. The Doum palm is already growing plentifully in the area of NE Turkana.
- Jatropha (bio-fuel)
Jatropha is a shrub that thrives in hot and dry conditions and in relatively poor quality soils. It yields a seed which has good oil content. Globally

Jatropha is being exploited in production of bio diesel which is being used mainly for running diesel engines. It is a cheaper but much cleaner fuel. It can thrive in Turkana.

- (2) Apiculture (bee keeping); for purposes of honey production and other products such as bees wax, propolis.
- (3) Fish processing and marketing - Lake Turkana is rich in fish varieties such as Tilapia, which have high market demand nationally and regionally. The challenge has been insecurity and physical isolation from main markets, as well as lack of market intermediaries/linkages.
- (4) Handicrafts production – these include beadwork (e.g. bracelets, earrings, necklaces, belts), hides & skins products (e.g. bags, belts, wallets, garments), ornamental/utility wood products (e.g. stools, sugar bowls).
- (5) Livestock production and marketing
- (6) Ecotourism/tourism: this combines natural resource management aspects with tourism. This would attract tourists into the region, and lead to a regular injection of cash into local economies, from external sources.

There are also opportunities for businesses which would offer services. A few examples include the following:

- There is a lack of accommodation and eating places even in major centers i.e. guest houses, hotels, cafeterias. This situation is serious to the point that a traveler may travel for distances exceeding 200Km without getting a place to purchase ready food or to spend a night.
- There are no vehicle repairs and recovery services or re-fuelling stations along frequently traveled routes so that motorists just assist one another in the event of breakdowns.
- Maize milling is a service which has demand but it appears that people have to transport their maize all the way to Lodwar for milling!

Businesses suggested by interview participants include:

- Hotels/guesthouses and restaurants
- Livestock marketing
- Fish trading
- Aloe cultivation & processing
- Butcheries
- Long distance trading (in beads, sufurias, akala, sheets, tents etc.)

The nature of the businesses currently set up by CFW beneficiaries is such that they are heavily dependent on local people's purchasing power. This renders the businesses highly fragile, as a majority of the local people do not have reliable and consistent incomes. A number of the businesses established are serving a legitimate purpose of availing products and services to the populace, commercially. However, a bigger number are barely surviving. There is need therefore to orient the focus of enterprise on external markets to ensure that businesses are addressing broader and expressed market needs as well as tapping purchasing power of more enabled markets. Part of how this can be achieved is by conducting a market opportunity study within NE Turkana. This study could assess all the aforementioned market opportunities in addition to others. Oxfam could then demonstrate a few of the potential businesses in strategic locations and pilot a few market development interventions. One of the key interventions should be building and/or strengthening linkages between area producers and businesses with main

stream economy. Oxfam could strategize to gradually cede successfully demonstrated and viable businesses to entrepreneurial individuals/groups.

Oxfam has already initiated some projects involving the production/marketing of some of the mentioned products which hold market potential e.g. livestock, neem, aloe, honey/bee keeping. Therefore, Oxfam could build on these existing projects. One way of doing this is through availing grants to some business owners who demonstrate entrepreneurial skills to diversify their businesses into low risk businesses. The grantees could receive grants ranging from Ksh.50,000/= to Ksh.150,000/= to purchase equipment and other inputs to engage in commercial production and/or processing.

One business diversification activity that can be funded would be the establishment of maize milling services in centers⁴. Apparently, maize is transported all the way from centers as far off as Kokuro for milling in Lodwar! Other opportunities include beekeeping/honey production, which would require people to invest in hives and simple honey extraction equipment.

To exploit the opportunity in trading fish, some entrepreneurs can be given grants to assist them explore alternative markets e.g. Kisumu for their produce and to purchase better/hygienic fish drying equipment. The grants for this category could range from Ksh.150,000/= to Ksh.200,000/=.

3. *Embrace basic market development principles*

a) Continue with the direct support of CFW beneficiaries' businesses but also engage in stimulating the emergence of a business service market and encouraging horizontal and vertical linkages within value chains. The business services market is where businesses 'buy' support services, such as input supplies, transport, specialized training etc. This will increase the sustainability of efforts. At the moment, because NE Turkana economy is weak, so that there is almost an absence of business service markets. One good example is that although livestock owners require animal health services, they are unable to obtain this easily, even though there are certified community animal health service providers. This scenario requires a facilitator to first of all, facilitate the livestock owners to get market/better markets for their animals and based on this, link livestock owners to CAHSPs and encourage a for fee service to take root/shape. i.e. If the livestock owners have a market for their livestock, it means they will have money and by extension, they will be willing to pay CAHSPs for animal health services.

b) Avoid subsidies: CFW is a great idea and it certainly will help in realizing Oxfam's set objectives but, there is a big risk of market distortion if it is not managed well. There is a great danger of market prices of products and services being distorted. This is especially a risk where CFW beneficiaries do not have a fore understanding that prices paid for products and various services are based on funds availability of the pilot project but not market forces and realistic considerations in relation to the real market. This means that if beneficiaries are not well briefed on this aspect, they may experience difficulties in penetrating and operating within the mainstream economy. There is a

⁴ One business owner in Kokuro expressed interest in establishing a maize milling business and can be identified by Mike Ewoi who participated in the assessment.

danger that they may over price their products and services and not embrace standard practices involved in pricing products and services.

For the anticipated Oxfam livelihood diversification initiative, the following needs to be done in order to make interventions which may involve CFW more sustainable.

- Incorporate activities for stimulating beneficiaries of CFW, well in advance of payment to develop sustainable plans and priorities for their CFW payments. This would involve facilitating target beneficiaries to think and plan ahead for their CFW tokens in order to increase chances of them investing the token in sustainable activities.
- Ensure that beneficiaries have a realistic understanding of standard prices of products and fees for services in the markets. Facilitate them to understand product and service pricing.

Review the piece meal payment process of CFW and consider paying in lump some.

It seems there are varying views and expectations from beneficiaries concerning CFW. Below is a sample:

Some believe that once enrolled in one phase of CFW, one should remain there. Hence frequent expressions of dissatisfaction by those who have been dropped out of subsequent phases.

Others were hoping that 'Oxfam should continue with CFW for between 3 – 5 years and enroll us for that period of time so that we can without doubt be able to stand on our own.'

4. Contribute to the area economy revitalization

The objective of CFW is well founded, as the local economy of NE Turkana clearly requires an injection of cash and there is a need to support beneficiaries in familiarizing with the cash economy. CFW has fulfilled this objective. However, there is need to inject cash from sources that are external to the area in a more consistent pattern. This can be done either through one-off interventions or on a steady basis. The following ideas can be considered:

a) Support the establishment of facilities and enterprises that will attract linkages with markets that are external to the target area:

- Support/facilitate eco-tourism projects in suitable areas e.g. along the shores of Lake Turkana and other identified biodiversity hot spots. These can be complemented with additional tourist attractions e.g. historical sites, cultural expositions etc. to create attractive tourist packages.
- Market linkages for traditional handicrafts and garments with Kenyan and export markets. This can be done along tested market models e.g. Network broker model⁵.

⁵ This is a market model tested by Practical Action–ITDG which facilitates small producers to service high value and high volume markets through a function of a service provider who provides a bridge to these markets in addition to a set of services, quality control being a critical area. On the internet "network broker ITDG" a PDF Doc on How to use market assessment information to design and implement a BDS market development program.

- Market linkages between livestock marketing groups and external traders and other established market outlets.
- Residential hotels/guest houses and restaurants to tap business from business and leisure travelers. These are non-existent at the moment so that travelers within the hinterland are unable to get such facilities as restaurants and guest houses.

b) In addition to the stimulating growth and entry of businesses, Oxfam could also explore vocational skills training as an avenue of addressing human development and creating job and self employment opportunities for communities, in a more fast tracked way. This programme could target employable members of the community, especially youth. As they get into the job market or set up businesses it means that by default the income levels, and ultimately purchasing power, in targeted areas will rise.

Vocation training areas which are likely to yield employable skills include:

- Motor vehicle mechanics and electrical skills
- Refrigeration and air conditioning installation, maintenance & repairs
- Solar technology installation, maintenance and repairs
- Professional domestic assistants (house helps)

c) Continue with community assets alongside the individual assets as the individual assets may also require services or use of the community assets, especially if emphasis is placed on essential utilities and services e.g. water, energy sources, animal & human health services

7.0 Conclusion

This assessment of small businesses in Turkana was expected to ultimately yield well informed recommendations on training of small business proprietors, in addition to recommendations on Oxfam GB strategy in supporting small businesses. Although the assessment was able to identify tangible training needs among the targeted beneficiaries, a clear dilemma arose in trying to present training as the primary need of these businesses. As highlighted in various report sections, the survival chances of the 179 or so businesses established by CFW beneficiaries are dim. This is because all businesses appear to be targeting a limited market size that is exacerbated by low purchasing power. The solution which appears to be critical is to stimulate/promote business diversification in order to reduce the number of players and saturation in one area of business. Training will equip the businesses with skills but the most important challenge, that is market for their products, will not necessarily have been addressed. It is crucial that Oxfam deliberately engage with these businesses to refocus them on alternative businesses which would enable them tap external markets.

ANNEX I: Terms of Reference

The overall purposes of the consultancy are three and inter-linked:

- To undertake an analysis of strength and constraints of small business set up in North-East Turkana, mainly in the context of the Oxfam GB cash transfer projects.
- To develop training modules on business management, following the findings of the analysis and to carry on the training for Oxfam GB small business support pilot project beneficiaries.
- To advise Oxfam GB on the expansion of its small business support strategy.

Specific Objectives of the consultancy

- To assess the business management knowledge and practices of the beneficiaries selected for the pilot small business support project and identify crucial gaps in their knowledge and constraints affecting their practices
- To design the training modules adapted to the specific market situation in North East-Turkana and to the identified gaps in the beneficiaries business management knowledge and practices.
- To conduct the training on business management for the selected beneficiaries.
- To advise Oxfam GB on a detailed strategy to support the selected beneficiaries both financially (level of cash grant, frequency of disbursement...) and technically (type of training, type of follow-up...) in the framework of the pilot project
- To help Oxfam GB to improve its understanding of the market functioning and the market constraints, and to advise on further development of its small business development strategy and programming.

As part of the preparation for field work, the following brief consisting additional ToRs was provided⁶:

Main objective of the field visit:

- Criteria to screen the existing list and select final beneficiaries
- Profile of beneficiaries and reasons/causes of their capacity to invest and to run fairly sustainable businesses
- Assessment of beneficiaries' business skills and gaps
- Identification of needs and type of support required, including level of grants and suggestions of schedule
- Recommendations to develop Oxfam strategy on business support

Expected outputs

Output

A comprehensive report consisting of the following:

- Overall description of the small business support pilot project beneficiaries knowledge and practices regarding business management
- Report on the training facilitation and immediate results

⁶ These were proposed by Claudie Meyers, the in-charge of the small business development pilot project

- Understanding of the strength and constraints of marketing and small business set up in North-East Turkana
- Recommendations for further development of Oxfam GB strategy for small business development support in North – East Turkana

Output II

- Delivery of training for the small support pilot project beneficiaries. (Sections of the training modules and tools to be included in the final report)

ANNEX II: Methodology

This assessment was commissioned in December 2006. The assessment entailed a preparatory phase, field data collection, data analysis, report and training modules development.

The preparatory stage involved;

- Studying materials with background information on the Business Support project and the Oxfam Cash transfer initiatives
- Preparation of data collection tools, discussions and joint review of these tools with field assistant
- Briefing and consultations with the officer directly responsible for the Business Support Project
- Discussions and preparation of a field schedule/sample plan with field manager and BSP project officer

Among the background materials that were referred to were; Concept note for the Business Support Project, Cash for Work Monitoring and Evaluation report of August 2006, Household Economy Assessment of NE Turkana report and lists of potential beneficiaries for business support.

Mobilization of CFW beneficiaries was coordinated by an Oxfam field manager and implemented by field monitors of respective centers, at the ground level. An Oxfam field monitor accompanied the consultant throughout the field data collection exercise. The field monitor guided the travel routes of the team and played the critical role of translation between the interviewees and the consultant.

A total of 12 centers within NE Turkana were identified for purposes of field data collection. However, only 11 centers were covered over a period of 6 contact days. The team visited 10 centers in all as the road to one of the centers Nakinomet was impassable. However, the team was able to interview the CFW beneficiaries who have started businesses by requesting them to travel to Kaikor. The field data collection stage was targeting CFW beneficiaries; both those who had started small businesses and those who had not. A few interviews with key stakeholders who were not direct beneficiaries of CFW were anticipated. However, only the CFW beneficiaries were interviewed.

The interviews were conducted through FGDs in order to fast track the data collection and to provide a reasonable opportunity for validation. Although the plan was to have between 8 – 10 representatives from each group of CFW beneficiaries (i.e. business start-ups and non-business start-ups), it proved challenging to achieve this as more than the target beneficiaries insisted on participating. However, this did not affect the quality

and depth of information as the participants were orderly in at least 10 of the centers. A total of 21 FGDs were held during the 6 days, covering a at least 187 CFW beneficiaries. Out of the 187 beneficiaries interviewed, 85 were business proprietors. During the FGDs, semi-structured interview guidelines and approach were used. The interviews were largely qualitative.

The field consultations were able to address the following information needs;

1. To understand the NE Turkana market functioning, market constraints and the general business environment within which micro and small businesses operate. This would facilitate Oxfam GB focus and build their strategy in supporting small businesses.
2. To understand the business management knowledge and practices of the beneficiaries selected for the pilot small business support project and identify crucial gaps in their knowledge and constraints affecting their practices
3. To assess specific training and other business support needs of small businesses established by Oxfam CFW beneficiaries. This would enable Oxfam GB identify the training areas to support and to determine how to award grants to these businesses under the current BS project

During the pre-field consultations with the BSP officer, it emerged that Oxfam was keen to learn the factors that led to the establishment of businesses by the approximately 100 households out of the possible, 4,000 households who benefited from CFW. A number of hypotheses were generated by the BSP team and the consultant. Part of the investigation, in addition to the above described information needs, was to validate the following hypotheses;

1. The individuals or households behind the establishment of the 100 enterprises could have been comparatively better off, economically, even before being enrolled for CFW, than the rest of the CFW beneficiaries
2. The CFW beneficiaries who managed to start enterprises are situated in strategic locations such as places with a good catchment of customers/patrons, or at border points
3. There is variation in levels/patterns of enterprise establishment depending on the nature of CFW activities i.e. this will vary in areas where the emphasis was on community assets and in areas where emphasis was on individual assets
4. The age bracket may have a bearing on the setting up of enterprises.
5. Destitution may have a bearing on the level of enterprise establishment.
6. The enterprises may have emerged as a result of an enabling environment, such as security, reasonable infrastructure, access to business services etc.

The analysis of the data was initiated while in the field but was finalized in Nairobi. A summary of the key findings was prepared and shared with the BSP officer within 2 days of concluding the field visit. A draft of the main report was developed alongside training modules on business skills. The main draft report was shared with the BSP officer. The Business skills training was delivered over the month of January 2007, and shall be reported separately.

ANNEX III: Field plan

Date		Place	Remarks
Day 1 Tuesday 12/12/06	AM PM Night	Lodwar Travel to Lokitaung Lokitaung	Briefing
Day 2 Wednesday 13/12/06	AM AM PM Night	Lowarengak Todonyang Lokitaung Lokitaung	Fisher folk centers Peri-urban center
Day 3 Thursday 14/12/06	AM AM PM Night	Natoo Riokomor Travel to Kaikor Kaikor	Center with no beneficiaries.
Day 4 Friday 15/12/06	AM PM Night	Kokuro Kakelae Kaikor Kaikor	Remote area/ Merille area/ cross-border trade Locked/ 1 beneficiaries. Pastoralist area/ Large centre
Day 5 Saturday 16/12/06	AM PM Night	Loruth Nakinomet Kaikor	Pastoralist Pastoralist
Day 6 Sunday 17/12/06	AM AM PM Night	Mlimatatu and/or Kaeris Travel back to Lodwar Lodwar	Pastoralist/ Large center/ 15 beneficiaries. Pastoralist/ Large Center/ Wholesale/2 beneficiaries

ANNEX IV: List of interviewees

CFW beneficiaries engaged in business

Lowareng'ak

Todonyang'

Adapal Lokulo
Adongoli Limito
Adapal Lobe
Napetete Lobuin
Margaret Ekal
Machu Lochilil
Auwa Ekidor
Anna Atai
Elizabeth Amalinga

Riokomor

2 enterprises

Kaikor

Lydia Lesio
Ayanae Lokwar
hellena Amuria Anton
Esther Lokolio
Asnyen Samal
Akula Laleyi
Timothe Lokulon
Illikol Abuka
Nalenyang Nang'olei
Arega Munyeni
Nachewa Lopiyanuna
Okunoit Nawe
Nawiyakwan
Agronatade
Apita Lokulo
Dorcas Labalat

and

Lokitaung

Achuka
Akai
Akai
Alfred
Amuria
Ewoton
Lokwaul
Lomililio
Machu
Mary
Paulina
Salome
Erot
Sylvia
Elizabeth

Loruth

Abogon kakwas
Angolol Locha
Apiding Ngasike
Atabo Napuyo
Veronica Kapotia

Nakinomet

Akiru Lowei
Lonyapid Erumun
Akuwom tony'
Palal Ng'awukon
Akiru Lobe
Amerikok Ekai

Natoo

Epu Esokol
Akale Ile
Aiya Naerpon
Florence Tyopei
Apar Emathe
Awet Kalowas

Kokuro

Florence Awoi
Joshua Ewoi
Lucase Ekamais
Ngichwae Pelekech
Longon Emuron
Ayelele Meyan

Mlimatatu

Mak Abwel
Emuron Long'on
Otagoro Kaleng'
Ajeme Emuria
Alice Atabo

Kakelae

Daniel Muya

CFW beneficiaries not engaged in business (Total 102)

**Lowareng'ak
Todonyang' (18)**

Approximately
participants

Riokomor (8)

A total of 8 participants

Kaikor (10)

Lyore Nateboi
Ngasike Lorinyoi
Lore Ebuton
Hawa Adan
Abenyo Amedoxaal
Abenyo Timothy
Lomuuny Nukuro
Ausugu Elaar
Enyono Epem
Napus Edapal

Mlimatatu (9)

Ewei Erupe
Elelea Lobuis
Awoi Erot
Logiel Eyanae
Naatoye Esuron
Ekuwom Eregae
AKitela Loukomor
Asuroi Emoni
Kiamae Edung

**and
Lokitaung (21)**

18

Ekali Asuron
Mary Kataboi
Locha Ekiru
Nadikal Nakure
Naluguro Loboki
Logiel Nasudo
Akadeli Ekitela
Oye Kachinga
Naistei Engomo
Eyapon Akileng
Ewoi Kotome
Moit Kotome
Ekei Lokasirim
Adome Elim
Lomala Lochilil
Nairesi Choper
Nabwel Lotini
Ngagongo Emuria
Aregae Lowin
Akilela Nakwang
Arot EKope

Loruth (10)

Edok Ekon
Esexon Aruman
Apungure Lomilio
Abei Lokwangan
Najerei Nangolol
Achwa Angolol
Lokori Egiron
Lode Lokiyoto
Naroo Ekomwa
Achom Edapal

Natoo (7)

A total of 7 participants

Kokuro (9)

Lojerei Lorinyoi
Yokamwa Kamais
Lopeto Ekamais
Atabo Nakinon
Longola Longolei
Ang'olol Nataba
Ethekewan Lojau
Lomileri Lore
Yebei Esokon

Kakelae (10)

Etenepus Muya
Amathe Lokamar
Mudang Esiyen
Iko Ederit
Lomekui Egede
Nalukowoi Ekidor
Iketsy Lonyang'-kwang
Elem Ederit
Ethuron Aporon
Nanyapid Edung'

Nakinomet (0)

None

ANNEX V: CFW Beneficiaries' stock profiles

	Sugar	Ve g Oil	Bea ns	cooki ng fat	tea leav es	sal t	om o	pan ga soa p	whe at flou r	maiz e	ric e	mai ze me al	toba cco	mat ch box es	sorghu m	Roi ko	mik	Sweets /sodas	Bea ds
Lowareng'ak and Todonyang'																			
Adapal Lokulo	50 kg	20 liter	50 kg						1 doz				6kg				2 layers		
Adongoli Limito	50kg	20 liter			1 box							50 kg						1 pkt	
Adapal Lobe	50 kg	20 liters	50 kg										5 kg			1 box			
Napetete Lobuin	50 kg	50 kg							1/2 doz			50 kg	7 kg						
Margaret Ekal	50 kg	20 liter	50 kg			1 doz										1 box		4	
Machu Lochilil	100 kg	10 liter			1 doz											1 box			
Auwa Ekidor	50 kg	20 liter										100 kg	21 kg		100 kg				
Anna Atai	100 kg	20 liter				1 doz							10 kg		50 kg				
Elizabeth Amalinga	25 kg	20 liter	50 kg						50 kg										

Lokitaung																			
Achuka	50 kg	20	50				1 bkt						6 kg		50 kg				
Akai	150 kg	20	100	1 bkt	8 kg	1 bag							10 kg						
Akal	100 kg		150	1 bkt			2 bkt						3 kg						
Alfred	50 kg	10																	
Amuria	50 kg		50				1 bkt					50 kg	20 kg						
Ewoton	100 kg	20			1 box		1 bkt					50 kg	3 kg		50 kg				
Lokwaul	50 kg	10							1 bnd l			50 kg							
Lomililio	50 kg	20					1 bkt			100 kg									
Machu	100 kg	40	50																
Mary	100 kg			1 bkt	2 box	1 box			1 doz		50 kg				150 kg	1 box			
Paulina	50 kg	20					1 bkt												
Salome	100 kg	20	100	1 bkt	8 kg		1 bkt	1 box											2 pkts
Erot	50			1 bkt	2 kg														

	kg																	
Sylvia	100 kg		50	1 bkt		2 bnd dl	1 bkt											4 pkts
Elizabeth	50 kg	20	50		3 kg	3 bnd dl						4 kg						
Riokomor																		
Natoo																		
Epu Esokol	50 kg	10					1 bkt											
Akale Ile	50 kg	10			1 box													
Aiya Naerpon	50 kg	20			4 kg													
Florence Tyopei	50 kg																	
Apar Emathe	25 kg						1 bkt											
Awet Kalowas	50 kg				4 kg													
Kokuro																		
Florence Awoi	50 kg						10 kg	3 boxes					10 kg					20 sets
Joshua Ewoi	150 kg												20 kg					15 - 20 sets
Lucase Ekamais	150 kg			2 boxes	5 doz		2 boxes	3 boxes	3 bnd l			3 bnd l	25 kg					25 sets

Ngichwae Pelekech	250 kg			13 cartons	1 box		1 doz	5 bars	4 bndl		4 bndl	60 kg						48
Longon Emuron	175 kg			2 boxes					2 bndl		2 bndl	10 kg						30 + 2 box sm beads
Ayelele Meyan	100 kg	30 liter			2 box		1 bkt		1 bndl		1 bndl	25 kg						
Kakelae																		
Daniel Muya																		14 sets
Kaikor																		
Lydia Lesio	50 kg	20										7 kg						4 pkts
Ayanae Lokwar	25 kg	20			5 kg							8 kg						
hellena Amuria Anton	100 kg				1 BN DL							5 KG						
Esther Lokolio	50 kg	20							1 bndl									
Asnyen Samal	50 kg	20			5 KG			1 BOX				10 kg						
Akula Laleyi	50 kg				5 kg		1 box	1 box				5 kg						4 boxes
Timothe	50			2	1		2		3	200	1	5 kg						

Lokulon	kg			box	layer		box		bndl	kg		bndl						
Illikol Abuka	50 kg	20					1 bkt											
Nalenya Nang'olei	50 kg				3 kg				1 bnl			10 kg					1 layer	
Arega Munyeni		20				1 box						8 kg						3
Nachewa Lopiyanuna	50 kg						1 box		1/2 bndl	400 kg		12 kg						
Loruth																		
Abogon kakwas	50 kg	20								15 bags		10 kg						6 pkts
Angolol Locha	100 kg	20								14 bags		10 kg						
Apiding Ngasike	50 kg	10					1 bkt			5 bags		5 kg	1 box					
Atabo Napuyo	100 kg	20			1 bkt		1 bkt	2 box		12 bags		15 kg	1 box					10 pkts + 3 box biscuits
Veronica Kapotia	50 kg	120								4 bags		5 kg						
Nakinomet																		
Akiru Lowei	150 kg	20			2 doz		1 box			2 bndl	20 bags		10 kg	4 box				
Lonyapid Erumun	150	40					5 bnd			2 bnd	50bags		30 kg	10 box				

	kg						l		l				es					
Akuwom tony'	200 kg	40	2 bags		1 box		2 box + 2 bkt s	4 box	2 bnd l	49 bags	1 bag	1 bnd l	10 kg					
Palal Ng'awukon	200 kg	40	2 bags		2 box		1 bkt		2 bnd l	20 bags								
Akiru Lobe	175 kg	30				2 bnd l	1 box	2 box	2 1/2 bnd l	56 bags		1 bnd l	22 kg					30 pcs bang les
Amerikok Ekai	200 kg	30			50 kg		1 bkt	1 box		5 bags		2 bnd l	90 kg					
Mlimatatu																		
Mak Abwel	50 kg	20	25 kg	1 box	3 kg	2 bnd l			2 bnd l	5 bags			5 kg					
Emuron Long'on	150 kg		2 bags	2 box	30 kg	4 bnd l			3 bnd l	10 bags	1 bag		50 kg					12 crates
Otagoro Kaleng'	100 kg	20			10 kg		1 bkt	1 box		10 bags	1 bag		6kg					
Ajeme Emuria	200 kg		2 bags		20 kg	4 bnd l	1 bkt	2 box		10 bags	1 bag		20 kg					20 pkts
Alice Atabo	300 kg	20	2 bags				2 bkt s + 1	3 box		10 bags	1 bag							10 pkts

							box												
							tos												
66							s												
proprietors																			

ANNEX VI: Proposed Business skills

1. Basic business operation
2. General Entrepreneurship
3. Familiarity with cash currency
4. Product pricing, profit tracking and management
5. Stock management
6. Credit management
7. Business feasibility analysis/ Business idea screening
8. Business diversification and growth strategies
9. Success factors for business