SOCIO ECONOMIC DEVELOPMENT
IN TURKANA WEST, KENYA

VOLUME II:

REPORT ON BUSINESSES AND THE LOCAL ECONOMIC DEVELOPMENT

UN-HABITAT
FOR A BETTER URBAN FUTURE

Cities Alliance
Cities Without Slums
Hosted by UNOPS

Turkana County Government

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Volume II: Report on Businesses and the Local Economic Development

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ACRONYMS

ASALs	Arid and Semi-Arid Lands
CGT	County Government of Turkana
CIDP	County Integrated Development Plan
CRRF	Comprehensive Refugee Response Framework
FGD	Focused Group Discussions
GIS	Geographic Information Systems
GoK	Government of Kenya
ISUDP	Integrated Strategic Urban Development Plan
KIIs	Key Informant Interview
KISEDP	Kalobeyei Integrated Socio-Economic Development Programme
KNBS	Kenya National Bureau of Statistics
LAPSSET	Lamu Port, South Sudan, Ethiopia Transport Corridor
LCDA	LAPSSET Development Authority
LED	Local Economic Development
MSMEs	Micro, Small and Medium Enterprises
NEC	Northern Economic Corridor
NOREB	Northern Rift Economic Bloc
UNHCR	United Nations High Commissioner for Refugees

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EXECUTIVE SUMMARY

Introduction

turkana West, in Turkana County, has the second largest refugee population in Kenya, after Dadaab. Yet, the area is among the most marginalised and underdeveloped parts of the country. The region exists in a crucial humanitarian-development-peace context, given its role in human rights protection and peace: hosting refugees, combined with the local, immediate and long-term development needs of the host community. It is a reality that demands a fundamental shift in how programming for humanitarian and development interventions is conceptualised, designed and implemented. A local area approach is required, where socio-economic concerns of both refugees and host community are addressed simultaneously. As part of on-going interventions in the area, this report was produced by UN-Habitat in partnership with the County Government of Turkana for the two-year project title "Sustainable Economic Development Along Turkana West Development Corridor Through Enhanced Connectivity" as part of the Cities Alliance Global Programme on Cities and Migration financed by the Swiss Agency for Development and Cooperation. This project aims to support the development of policy and programmatic interventions needed to accelerate socio-economic development of the area. It generates new knowledge about businesses, local industries and the local economic development (LED) context.

Previously, studies have mainly focused on household surveys, with limited research into the nature of the local economy and its relationship with external linkages. This research was therefore designed with the objectives of:

1. Establishing the nature of businesses and local industries in Turkana West;
2. Establishing the issues, opportunities and challenges related to businesses in Turkana West;
3. Examining the supply chains and aspects of connectivity and integration of local businesses with regional economic flows and markets;
4. Identifying opportunities and possible interventions for supporting businesses and enhanced local economic development in Turkana West; and
5. Identifying policy interventions needed to stimulate enhanced socio-economic development in Turkana West.

The research relied on both primary and secondary data sources, with primary data collection (quantitative and qualitative) occurring between September and December 2020. During this time, a total of 283 businesses were surveyed using a quantitative questionnaire, while 37 key informant interviews (KIIs) and five focused group discussions (FGDs) were conducted.

Regional Context

Refugees, Urbanization and Economic Growth in Turkana West

The refugee influx in Turkana West is a key driver of urbanization and has created a refugee-based economy. The main urban centres in the sub-county are Lokichoggio and Kakuma, where the population was reported by the 2019 census as 11,626 and 22,984 persons[1], respectively. Census data indicates that the population of Kakuma town has declined from 2009 levels, when the population was reported as 31,581 persons[2]. Indeed, Lokichoggio's population seems to have also decreased from the 13,728 persons reported in the 1999 census. However, these figures exclude the refugee population. When refugee numbers are combined with that of the host community, the Kalobeyei-Kakuma settlements cluster alone has more than 300,000 persons. The area lacks strategic infrastructure and an economy capable of sustaining this population long-term. With a refugee-based economy, concerns arise as to what the future holds for Kakuma-Kalobeyei. Indeed, the impact of refugees on the county's urbanization has produced mixed outcomes. For instance, Lokichoggio town's growth and economy had previously depended on the presence of refugee assistance programming, but since the closure of such activities in 2008 and their shift to Kakuma, the town has been in decline. This example portends an uncertain future for Kakuma town, where growth and economic lifelines are strongly tied to presence of refugees. This demands policy and assistance programming that focusses on building self-sustenance, resilience, and economic diversification to support growth and development beyond the current reliance on refugee assistance. Other than the refugee influx, urbanization in the county is driven by rural-urban migration linked to diminishing livelihoods prospects in traditional pastoral ways of life.

Recurring droughts have compelled many households to seek alternative livelihoods, including seeking urban-based opportunities. The youth in particular are increasingly migrating to the county's major urban centres for alternative livelihoods and access to education and training. Lodwar, the largest urban centre in Turkana County, is expanding at a very rapid rate, with census data indicating that the town's population almost doubled between 2009 and 2019, growing from 44,153 to 82,970 persons[3].

Historical Marginalisation and Prevailing Development Challenges

Socio-political marginalisation and underdevelopment have characterised Turkana County, and indeed Kenya's pastoral communities for decades. Kenya's Commission for Revenue Allocation (CRA) identifies Turkana County among the most marginalised regions in the country, characterising such regions as suffering from policy and governance issues. Such issues include 'conflicts and insecurity, livestock marketing challenges, land rights contestation, inadequate provision of services and infrastructure, drought and dependence on food aid[4]. Despite the combined efforts of government and non-government organizations, Turkana households remain highly impoverished and disconnected from the rest of Kenya. A key disconnecting factor over decades has been the poor condition of the A1 road that links Turkana County to other parts of Kenya and South Sudan. The national government has only recently begun reconstructing this road, and its completion will be a major boost to regional connectivity. Similar scenarios characterise the county's energy situation, with no connection to the national grid and minimal coverage provided by local grids. Water scarcity, persistent droughts and famine compound the development challenges of the area. Yet despite these challenges, Turkana West hosts the second largest refugee population in Kenya.

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1 KNBS (2019). 2019 Kenya Population and Housing Census: Volume IV. Nairobi, Kenya National Bureau of Statistics. Distribution of Population by Socio-Economic Characteristics. Online access (16/02/2021): https://www.knbs.or.ke/?wpdmpro=2019-kenya-population-and-housing-census-volume-iv-distribution-of-population-by-socio-economic-characteristics

2 KNBS (2009). 2009 Kenya Population and Housing Census: Analytical Report on Urbanization. Kenya National Bureau of Statistics. Nairobi

3 Ibid

4 CRA (n.d.). Survey Report on Marginalized Areas/Counties in Kenya. Online Access: https://www.crakenya.org/wp-content/uploads/2013/10/SURVEY-REPORT-ON-MARGINALISED-AREASCOUNTIES-IN-KENYA.pdf

Regional Spatial-Economic Context

Most households in the Turkana County host community practice pastoralism. Communities living along the Kerio and Turkwel Rivers practice sedentary pastoralism supplemented by crop farming. Agriculture and livestock keeping are the main economic activities of the North Rift region, with pastoralism dominating the counties whose land is classified as Arid and Semi-Arid Lands (ASALs). These are rural-based economies, with more advanced urban-based economic activities concentrated in the secondary cities, which also serve as the county capitals (e.g. Eldoret, Kitale, Lodwar etc). The secondary cities host major businesses, act as important hubs for trades flows, and are connected by regional roads. Small towns and local urban centres host public markets where local produce, especially livestock and crops are sold to external markets. Therefore, urban centres in the region are the interface between the urban and rural economies. However, certain barriers prevent the socio-economic transformation of urban centres and hinterlands, including weak market integration, water and energy challenges, and connectivity and service provision challenges related to poor road conditions.

Findings from the survey

Nature of Businesses in Turkana West

Businesses in Turkana West are mainly sole proprietorships, including 85.7% of all refugee-owned businesses and 86.9% of all host community-owned businesses. Most are Micro, Small and Medium Enterprises (MSMEs), which typically provide limited job opportunities (i.e. usually just the owner-operator). General shops and kiosks accounted for 52.4% of the businesses surveyed, indicating their likely ubiquity in settlements. Other businesses included specialised grocery sales (7.3%), light manufacturing (5.8%), hospitality services (5.8%), meat sales (4.5%) and electronics shops (3.6%). Kakuma-Kalobeyei is the main commercial area, followed by Lokichoggio. The rest are small rural centres dominated by *dukas* (small shops) that sell basic commodities.

The MSMEs rely on a few large wholesalers for supplies but are also forced to compete with some wholesalers who double as retailers. Businesses in Turkana West are largely informal, lacking official registration. This is linked to bureaucratic and financial barriers, with many respondents unwilling to pay the added costs of license and registration fees. The small-scale nature of some of the businesses dissuades the need for a permit, as many views their business as a trial of whether it will work or being too small to afford a permit. This implies that support mechanisms for businesses are required if the county is to enhance its licensing revenue in Turkana West, including infrastructure services and facilitative policies that set affordable fees for MSMEs.

Longevity of Businesses and the Sustainability Challenge

Although the settlements have existed for decades, the surveyed pointed to a trend of businesses do not operate for many years – the average business longevity was found to be about two years. Of surveyed businesses, 31% were less than a year old, 18.7% had existed for two years, 10.9 for three years, 9.9% for four years, and 6% for five years. Only 8.8% of enterprises were over a decade old. This was attributed to strong competition and limited capacity or opportunity for expansion. In Lokichoggio, the closure of refugee assistance operations negatively affected the local economy, causing businesses and local industries to rely on the area's limited local capital, which can only sustain a certain level of trade. At the same time, many businesses reported short periods to break even, indicating an urgency to recoup invested capital and uncertainties regarding the long-term growth of businesses. Of the surveyed businesses, 81.2% broke even within the first year of operation, and 8.5% within the second year. The proportion of businesses breaking even within the first year of operation is slightly higher for refugee–owned businesses (84.8%) compared to host community-owned businesses (76.2%).

Cost of Starting a Business and Financing

Most of the businesses in Turkana West are MSMEs that started with a relatively low capital base. Of the surveyed businesses, most of them (79%) were started with capital not exceeding KES 50,000 (USD 500). This was mainly attributed to a lack of access to formal capital, especially by refugees. The survey findings show that most businesses were established through proprietors' own funds (62.41%) or through family financial support (21.99%). This has led to weak development of the informal money market (e.g. table banking, unregistered associations etc). Other sources of initial capital are micro-finances (4.2%), Savings and Credit Co-Operative Societies (SACCOs) (3.19%), NGOs (1.42%) and table banking (0.71%). Access to capital from commercial banks was minimal, only accounting for 1.42% of surveyed enterprises. Lack of collateral, lack of required documentation and high interest rates for commercial borrowing are identified as critical impediments to accessing formal capital. Therefore, while business incomes can potentially be improved, many struggle to grow and optimally leverage growth opportunities due to financing challenges.

Relatively Low Incomes for Most Businesses

Incomes generated from businesses in Turkana West are relatively low. For example, 40.4% of respondents reported a weekly income of between KES 2000-5000 (USD 20-50), while 20.2% reported a weekly income of KES 501-1000 (USD 5-10), and 17.7% reported incomes of KES 5001-10,000 (USD 50-100). Only 3.2% reported a weekly income of KES 20,001-30,000 (USD 200-300). In Lokichoggio, Kakuma and Kalobeyei wards, the few businesses reporting a weekly income of KES 50,000 (USD 500) and above tends to be located on or near the A1 Road, where there is a relatively higher concentration of economic activity and better local and regional connectivity to markets. The qualitative research indicates that Letea and Songot wards have relatively low connectivity and accessibility to supply chains, external markets, services and logistics systems. These wards also have sparsely distributed settlements with most of the households being nomadic pastoralists. Other higher income businesses in the region include a few large businesses, such as wholesalers and contractors doing businesses with support organizations.

Public Markets and their Significance to the Local Economy

Most of the MSMEs in Turkana West operate in public markets. The region's main markets are in Kakuma-Kalobeyei, Lokichoggio and the small centres along the A1 Road corridor, which connects Turkana West with major supply centres, such as Eldoret and Kitale. Through secondary linkages in Lodwar, traders in Turkana West are also able to source goods from parts of Uganda, such as Moroto. Kitale serves as a significant supply town for food and vegetables sold in Turkana West's markets. While bulk fresh food supplies from Kitale are mainly taken to Lodwar's wholesale market, some suppliers bypass this market and sell directly to traders in Kakuma-Kalobeyei and Lokichoggio. The Lodwar wholesale market also plays a similar role for fish sourced from Kalokol.

Most markets surveyed lack adequate infrastructure, which exposes traders and users to hazards related to poor public health and safety. For example, most markets lack organized waste management systems and running water, with businesses resorting to burning waste or dumping it openly in undesignated areas. Without proper planning and design, the market spaces were highly inadequate, lacking storage space, an energy supply or paved flooring. Yet most of the county's Own Source Revenue (OSR) comes from market fees, cesses and the issuance of business permits. As such, investing in improved market facilities will lead to increased trader productivity, thereby enhancing Turkana County's OSR revenue.

Transportation and Connectivity

Transport and connectivity challenges have contributed to weak market integration, affecting connections to markets and urban centres outside the region, and among localities within the region. External connectivity challenges have traditionally been linked to the poor condition of the A1 Road, though the recent construction efforts are anticipated to enormously improve regional connectivity. However, local mobility suffers from underinvestment and a lack of coordinated approach. The poorly coordinated provision of infrastructure and services is evident in Kakuma when comparing service provision in the town (i.e. host community) and refugee settlement. But business interactions occur every day between the refugee settlements and the town, and disparities in service provision of absence of appropriate infrastructure networks like transportation undermines enhancement of this socio-economic integration.

Of the businesses surveyed, 47% rely on motorbikes (*boda boda*) as the main mode of transportation. This is complemented by Public Service Vehicles (*matatus* or PSVs), trucks/lorries and walking. *Matatus* and trucks/lorries are most often used to transport goods from towns outside Turkana West, while *boda boda* services are predominantly used for local connectivity and logistics. The reliability of these modes of transportation is highly undermined by the poor condition of the local road infrastructure. Consequently, businesses incur higher transportation costs as service providers are compelled to factor higher maintenance costs into their operations.

Water Supply and Sanitation Services

Turkana West is a water-scarce, arid or semi-arid area, with poorly developed water infrastructure characterised by a lack of a strategic water supply and an overreliance on boreholes. Most towns and settlements have poorly developed water distribution infrastructure, such as networked water supply systems, and experience water quality challenges. Many businesses rely on informal water vendors or must collect water from various water points. However, some decentralised systems of networked water supply were apparent in refugee settlements. About 67% of the surveyed businesses pay water vendors for water supply, including 33.8% of host community-owned businesses and 31.8% of refugee-owned enterprises. In the refugee settlements, water can be accessed for free at water points. Those businesses in refugee settlements which pay for water are in areas without access to a water point, and therefore incur transport costs. Overall, businesses in the refugee settlements require less time and distance to access water than those in host community towns and settlements.

Water challenges are closely linked to sanitation challenges. As noted in Volume I of this report, waste management is a major challenge in Turkana West, especially regarding the disposal of faecal matter, given the prevalence of open defection. The towns and the settlements lack an organized solid waste management system, including waste treatment facilities, and rely on dry sanitation, on-site faecal disposal methods, which have proved inadequate.

Improved methods of faecal disposal, such as wet systems like septic or biodigester tanks and mini-treatment facilities, are limited to NGO and INGO facilities, as well as some public facilities. Most businesses rely on unimproved faecal disposal methods, such as basic pit latrines, as improved sanitation systems are expensive and presumed to be the responsibility of local authorities (i.e. the county). The survey established that the absence of settlement-wide sanitation systems is a major barrier to investments that require efficient waste management, such as industries.

Energy Services

While various energy services exist in Turkana West, they fail to meet the local demands of businesses, local industries and domestic use. The survey established that many MSMEs operate in such a way that their demand for electricity is very minimal, with most of their needs met by purchasing a low-cost portable solar unit. Of the surveyed businesses, 64.8% do not incur regular electricity costs. This can partly be attributed to the high costs associated with formal electricity services. Due to camp-imposed restrictions, most refugee-owned businesses close early and do not require electricity for lighting.

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This is not the case for host community-owned businesses that often remain open late into the night (though during the COVID-19 period, all businesses shifted to closing before dark). However, electricity needs are not limited to lighting. Various businesses would significantly improve if they had access to affordable energy for refrigeration, heating, powering appliances etc.

Kenya Power (KP), Kenya's main electricity utility, is the primary formal electricity provider, particularly in the main towns of Kakuma and Lokichoggio. The utility company has installed mini-grids that run on diesel-powered generators, and are now extending their service to Kalobeyei. However, the energy supply deficit in towns and settlements remains, prompting independent and often informal power producers to provide electricity through diesel-powered generators and solar units. Informal electricity services are operated as businesses, charging monthly fees for connection. Other alternatives for electricity include solar mini-grids, currently being implemented by support organizations such as the GIZ-project in Kalobeyei New Settlement.

Spatial Determinants and its meaning for Businesses

Most of the land in Turkana County is unregistered community land held in trust by the county government. This has resulted in many businesses and local industries operating on land they occupy informally, without the usual legal documents such as registered titles or leases. However, land access is still possible through traditional (informal) land administration systems. In the refugee settlements, land is allocated by the Refugee Affairs Secretariat (RAS) and UNHCR through an implementing shelter partner. As such, this informal land ownership is registered outside Kenya's formal land registration system, meaning that most financial institutions will not recognize it as sufficient collateral. Traders cannot access credit based on such documentation. This has prevented the use of formal property ownership documents as collateral for accessing finance or as security for developing land.

Additionally, the absence of a functional property market in the main towns of Kakuma and Lokichoggio has led to a lack of well-constructed commercial spaces and inadequate housing. As such, businesses that require larger spaces or specific building typologies must attract investors that are willing to invest in new constructions, or else seek other markets. Major barriers to improving the quality of the built environment in these towns include poorly developed infrastructure and poor urban planning. The same is true of refugee settlements, where challenges related to poor planning and inadequate building quality persist. Efforts towards better planned development are underway in Kalobeyei New Settlement, however these guidelines are yet to be fully enforced, and most structures being developed are still characterised by inadequate design and building quality.

Supply Chains and Linkages with Regional Markets

The analysis shows that Kitale town in Trans Nzoia County is a significant source of food commodities and other supplies sold in Turkana West. The town is also a considerable transit node between Eldoret and Turkana West. However, KIIs in Eldoret revealed that while some traders in Turkana West indicate that their goods are sourced from Kitale, they are initially supplied from Eldoret. The supply chain can be traced further back to major cities such as Kisumu, Nairobi, Nakuru and even Mombasa for imported commodities. Some businesses pointed to Uganda as a major source for some supplies, indicating that cross-border trade is important to the Turkana West economy, but this was also associated with cases of goods smuggling. Importantly, while these urban centres are identified as major suppliers of food commodities, their rural, agricultural hinterlands are the primary production areas. As such, interventions to strengthen supply and value chains must consider the context of urban-rural linkages and the system of urban centres.

According to the businesses surveyed, a substantial share of produce and labour is sourced from Kitale, including cereals and pulses (68.3%), fruits and vegetables (66%), processed food (73.8%) and labour for services such as hairdressers, household help and hospitality workers (e.g. in hotels and restaurants). While external business linkages are strong and well-established, internal linkages and commerce also remains vibrant in certain key areas. For example, 72.7% of meat products retailers indicated that they sourced their supplies from within the Kakuma and Kalobeyei refugee settlements. On average, 34.8% of businesses indicated that they sourced supplies from within the settlements (Kakuma and Kalobeyei).

Key Actors and their Significance to the Local Economy

The presence of refugees in Kakuma-Kalobeyei has led to the presence of INGOs and NGOs in the area. The active involvement of these organisations in the local economy is not typical in Kenya, and has created an unusual governance structure. The economic sectors in Turkana West, including the supply and value chains, are closely linked to the humanitarian financial assistance that circulates in the local economy. The purchasing power of refugee households is especially dependent on financial aid from INGOs and NGOs. The role played by these organizations includes cash injection into the local economy (especially through cash-based interventions), value chain development, food price stabilisation and market monitoring, infrastructure delivery support, capacity development etc. Notably, the work of the World Food Programme (WFP) through its Bamba Chakula and Bamba Chapa initiatives have had a significant, if varied impact on local businesses.

Other key actors include large businesses, especially wholesalers and transporters. Some long-distance transporters are part of the operations of large suppliers or wholesalers, whereas others are externally contracted. A small number of dominant wholesalers control incoming supplies and maintain a controlling stake in most of the locally consumed commodities. However, some MSMEs have established networks with public transport services or smaller transporters, such as informal taxis and light commercial vehicles.

County governments across Kenya levy fees in local markets, issue business licenses and levy fees on transportation. This can determine who participates in trade at the local level and increases costs related to logistics. Most supplies come from Eldoret, Kitale and further afield, with transporters incurring fees as they cross different counties into Turkana. Besides their regulative and administrative role, county governments are also charged with a critical responsibility of infrastructure delivery. The study found that poor market and connectivity infrastructure in Turkana West negatively affected supply chains.

The national government is instrumental in policy and regulation, providing regional infrastructure, enabling cross-border business, ensuring the security of the cross-border region, and managing the refugee settlements through RAS. RAS is involved in various administrative processes that are crucial to businesses, such as registration of businesses, access to commercial spaces and issuance of movement permits. The recent construction of the A1 Road and ongoing plans for implementing the Lamu Port-South Sudan-Ethiopia Transport corridor (LAPSSET) is anticipated to significantly enhance the regional connectivity and economic integration of Turkana West.

The roles and initiatives of these governments, INGOs and NGOs are complemented by the increasing interest of the formal private sector to invest in Turkana West, especially Kakuma-Kalobeyei. For example, two main banks (Equity Bank and Kenya Commercial Bank) already have operational branches in Kakuma, where they provide financial services to both refugees and host communities. The Kenya Revenue Authority (KRA) has a customs post in Lokichoggio which is crucial in facilitating trade between Kenya (through Turkana West) and South Sudan.

Reliance on Refugee Economy and Its Implications for a Long-Term Development

The many years of refugees' presence in Turkana West has created a local economy heavily reliant on the circulation of finances linked to humanitarian assistance, with few investments that can guarantee socio-economic sustainability in the event these flows are withdrawn. Lokichoggio, a once a thriving town that depended on refugee programming, has since witnessed a decline in its economic fortunes in recent years, following the closure of refugee operations. As it stands, such events are highly likely to replay in the Kakuma-Kalobeyei area should the refugee camps be closed or significantly downsized. Currently, seasonal flows of cash linked to cash-based programming affect the operations of businesses. According to various traders, cash transfers are active from around 20th to the 25th day of each month. During this time, purchases and custom are at their peak. From the 1st to 6th of every month, there is an additional slight upsurge in purchases as those formally employed are paid their salaries. For the rest of the month, demand plummets significantly, causing some small businesses to temporarily close until the next 'seasonal' cash flow. This reveals the fragile nature of the commercial sector of Kakuma-Kalobeyei.

While the recent infrastructure investments linking South Sudan and Kenya, through LAPSSET and the A1 Road construction, present opportunities for LED, they can only transform the area if investments targeting local community livelihood enterprises and social-economic welfare are undertaken at the required scale, i.e. a shift in programming to long-term development interventions. This means investing in a future town capable of providing adequate basic services, social amenities, economic opportunities for the local youth, and viable alternative livelihood enterprises for the pastoralist host community.

The COVID-19 Pandemic's Impact on Businesses and Supply Chains

The survey established that 28.5% of businesses reported bad performance, and 44% reported below average performance during the pandemic. Only 22.5% reported average/normal performance, and 4.9% reported good performance of their enterprise. Most customers' purchasing power has diminished due to massive job losses in the local informal sector. Curfew regulations and other movement restrictions imposed by the government have affected the operation and profitability of many businesses. Most businesses mentioned a negative impact on their sales following the imposition of COVID-19 related restrictions, blaming them for loss of business and, in some instances, closure. Businesses said they coped with the pandemic through various measures, mainly by increasing prices of commodities (30.8%), introducing home deliveries (22.4%), specialising in high-demand items (18.2%) and shifting their business to readily available items to minimise reliance on external sourcing (12.6%). Other coping mechanisms included starting online transactions, lowering prices, reducing working hours, laying off employees and goods rationing.

Recommendations

Strengthen Capacities to Grow Businesses – To promote the growth of vibrant and sustainable MSMEs, this study recommends the following:

- ***Establish county funds for supporting MSMEs and ensure access by Turkana West businesses –*** The county's Fiscal Strategy Paper for the 2019/2020 Fiscal Year has already provided funds through its Biashara Fund for 1600 youth and women's groups to promote the county's socially inclusive development. While this is an important initiative, removing the obstacles that MSMEs face when accessing finance is needed at the policy and operational level as a long-term intervention.

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- ***Cooperation between private banks, external funders and local business associations –*** This cooperation is critical for setting up pool funds to be invested into MSMEs and can reduce the risks associated with lending to MSMEs, thereby promoting their growth.

- ***Invest in training and skills development for businesspeople –*** Despite the relatively low education levels, low capital intake, and 'young' businesses, many operators report low engagement with capacity development activities. This is a gap that can be addressed by providing skills development opportunities to local businesses.

- ***Further support in Developing soft infrastructure for the local business community –*** This study and the project activities of supporting creation of business associations and self-organized groups reveals several capacity gaps among the players in business and local industries. The gaps hinder the business sector and reflect the vulnerabilities within the general population (both refugees and host community). Consequently, businesses and local industries exhibit similar vulnerabilities that contribute to the 2-3-year average lifespan for most businesses. To address such challenges, the study recommends that local partners to nature networks and businesses associations that have a longer-term perspective. Some self-organized groups exist, e.g. a women's group dealing with handicrafts, but such groups require support in business training, market expansion, access to financing and better workplace facilities, e.g. well-designed and built workshops.

- ***Leverage supply and value chains opportunities –*** From this study, Turkana West sources most of its commodities from outside the sub-county, especially from Eldoret, Kitale, Nairobi and Uganda. Local production remains constrained, but with the potential to create immediate employment and grow the local economy, transforming it from dependency to self-sufficient autonomy. This will require investments that support local production of some commodities. For instance, by investing in a strategic water supply that can support certain levels of irrigation for food production.

- ***Integrated solutions to socio-economic development –*** Many studies have pointed out the opportunities created by the presence of refugees and their vital role in the county's development. However, policy restrictions and biased programming are cited as significant challenges to the optimum participation of refugees and host communities in LED. Both communities are in a dire socio-economic condition, facing various levels of deprivations and vulnerabilities that require immediate attention to spur LED and the growth of businesses and industries.

  Some of the required immediate and mid-term interventions include:

- ***Supporting education and development for the youth –*** Support for education and training requires increased investments in programs to foster higher transition across education levels and increase the number of young people with college level and vocational training. This should be combined with other programs such as mentorship and social support to enhance awareness. Further, the existing colleges and vocational training facilities need to offer programs that can address the skills gap and invest in research and development that can support local businesses and industries.

- ***Invest in economic diversification for the local communities –*** The study noted that the prevailing poverty and limited income generating opportunities has resulted in a very weak economy where many businesses operate as 'survival ventures', where growth is limited by the weak purchasing power of the local population.

- ***Provide adequate basic services and amenities –*** Adequate water, sanitation and energy are vital for a healthy and flourishing community, which is a prerequisite for LED.

- ***Invest in labour intensive programs and build local industries –*** This is required for both support programs and economic investments that are urgently needed in the area. The reconstruction of the A1 Road has created an opportunity for raw materials to easily reach Kakuma-Kalobeyei, and likewise the finished products can now be transported to external markets with ease. This scaling-up of local industries can be combined with extending ongoing programs that support vocational, technical and business training.

Environment and Natural Resources Management

- ***Shift from reliance on boreholes to reliable water supply system –*** During the survey, various key informants identified the need for a large-scale rainwater harvesting infrastructure especially for Kakuma-Kalobeyei area. Many suggested the construction of a dam on Tarach River as a potentially solution to the protracted water crisis in Kakuma-Kalobeyei. While other went further to question the viability of the Lotikipi aquifers. However, these interventions require technical assessments, but also environmental and their economic viability.

- ***Undertake land rehabilitation –*** This should focus on abandoned mining pits, restoring vegetation cover, and storm water management in the settlements.

- ***Invest in renewable energies –*** Tapping into the natural resources of wind and solar can improve the socio-economic development indicators for the local population. With Turkana West detached from the country's national electricity grid, there is a need to explore the potential of these resources to produce sufficient energy to transform the local economy (i.e. energy that can support domestic, businesses and industrial use).

- ***Undertake feasibility studies on livestock pasture production through farming –*** This would reduce the seasonal nomadic migration which often result to many children and youth missing on education and training. It can also provide potential for commercial livestock production, unlike the current production which is mainly for sustenance and cultural reasons.

- ***Mainstream environmental management in spatial planning of the settlements –*** The spontaneous and poor planning of some of the main settlement areas contribute to environmental challenges including flooding and loss of biodiversity.

Infrastructure Development and Reliable Basic Services

Overall, there is need for a raft of measures to provide essential infrastructure in Turkana West, including roads, sewerage, energy, water supply systems, solid waste management and information and communications technology (ICT). These are critical for growing businesses and local industries. Urban areas such as Kakuma, Kalobeyei and Lokichoggio can only develop strong economies if the necessary infrastructure is developed.

Water and Sanitation – The development of reliable water and sanitation infrastructure is urgently needed in Turkana West settlements and towns. This will require:

- Identifying and developing strategic water supply infrastructure for all major settlements, including Kakuma-Kalobeyei and Lokichoggio. This strategic water supply should be able to support domestic, agricultural and industrial uses. As earlier recommended, there is need to explore the feasibility of the Tarach Dam and Lotikipi aquifers.

- Developing local water distribution systems. This should be informed by settlement and urban plans.

- Developing a set of sustainable options for dry and water sanitation systems that can support the settlements and towns. Investments in wastewater management infrastructure should be capable of supporting the current and future populations and businesses.

- Solid waste management, with investments for organized waste management systems in the main settlements and towns. This includes developing a properly engineered sanitary landfill.

Energy – Another major constraint to businesses and local economic development is the absence of reliable energy, especially in refugee settlements and main towns. While several interventions have improved the situation, there is still no reliable energy system that can support intense commercial and industrial activities. This study recommends the following:

- Invest in local mini-grids and extending access to all users. These mini-grids should favour solar and wind energy, given their availability as natural resources in the area. As Kenya Power's mini-grid relies on fossil fuels (diesel), this can be expanded as an interim measure, with the awareness of the associated costs, including environmental and productions costs in transporting diesel from the regional depot in Eldoret.

- Develop local distribution infrastructure for electricity. Like road and water systems, this will require spatial planning interventions to ensure appropriate rights of way are created.

- Support households and businesses to access portable solar energy systems. This can include fiscal incentives and supporting value chain-suppliers, distributors, installers etc.

- Stakeholders to work together to phase out reliance on firewood and charcoal for heating. This needs to incorporate sustainable use of firewood and charcoal, alongside the provision of affordable and reliable alternatives. It requires a service system designed to deliver affordable energy to the local population. High tariffs will cause electricity usage to be limited to lighting and light electronics, and will exclude other domestic and commercial uses, including cooking.

Transportation Connectivity and Market Integration – The study recommends investments in both regional and local level road infrastructure, with a focus on:

- Secondary road connections, including those that link the main urban centres with the A1 Road, and those that link major settlements.
- Spatial planning and designating adequate street networks in the main towns, especially Kakuma-Kalobeyei and Lokichoggio. This requires an integrated spatial framework/ plan (such as the County Spatial Plan) or a sub-county plan, which would cover the major urban areas in Turkana West (Lokichoggio, Kalobeyei settlement, Kakuma town) and the economic corridor (i.e. LAPSSET section).
- Developing appropriate standards for paving local roads. The primary considerations should be functionality (i.e. catering for multiple modes of transport, including walking, cycling and motorists), financial efficiency and infrastructure durability.
- Investing in relevant storm water management infrastructure, such as bridges and road drifts. Currently, connectivity breaks down during rainy seasons and when flash floods occur.
- Better coordination of transportation investment in the refugee and host community settlements.
- Expanding air connectivity beyond humanitarian flights that operate from Kakuma Airstrip to include commercial operations. This is currently being considered for Lokichoggio airport, which is being expanded and will likely enhance trade between Kenya and South Sudan.
- Construct a wholesale market facility. A central market is required for wholesale activities, which will promote effective and efficient integration with the regional flow of commodities. This should be located strategically along the A1 Road within Kakuma-Kalobeyei.
- Provide general warehousing areas and areas with refrigeration facilities, such as a warehousing and logistics centre. This warehouse may also deliver sorting and packaging services to traders, enabling the selling of fresh produce in smaller quantities to consumers. These facilities can help individual market actors ensure a more consistent flow of goods to markets and avoid the fluctuations of supplies and prices during some seasons. The warehouse could incorporate sustainable design features, such as storage facilities supported by solar power – a high potential energy source in Turkana West.
- Improvement facilities at the main settlement markets. Traders indicated the need for properly designed and constructed markets that offer a variety of spaces or stalls, are well paved, and are connected to vital utilities and storage facilities. This will improve working conditions and user experience.

Information and Communication Technology – The Kenyan Government is developing a fibre optic internet cable along the A1 corridor and is expected to reach South Sudan. This internet project needs to be supported with:

- Local fibre optic infrastructure to optimise the benefits of the national government project. It is important to develop local infrastructure for the last mile of connectivity, particularly in the main settlements and towns. In Kenya's major cities and towns, the private sector has led this kind of infrastructure and service provision. The Turkana County Government can facilitate this by engaging private sector partners, while providing appropriate spatial plans that can guide rights of way. These measures are important for attracting private sector investment in networked infrastructure development.
- Increased coverage of mobile phone network services. This is crucial for communication and financial transactions.
- ICT training facilities and programs. This will significantly benefit the youth in particular.

Strengthen Spatial Planning and Land Management

Concurrent spatial planning and land documentation processes are required on a broad scale as part of an urban management program:

- Establish municipalities for Kakuma-Kalobeyei and Lokichoggio settlements. This will provide a framework for dedicated local planning and better coordination of development interventions.
- While Kakuma town has an urban development plan, it lacks a proper land information database, and that plan does not integrate the refugee settlements areas. The implementation of the plan not only requires effective coordination and financing, but it needs to be reviewed with focus on a local area approach, without excluding the refugee settlement area. Indeed, strategic infrastructure for the local area demands an integrated approach to assessing and planning the local needs.
- A functional land information system can be created by documenting existing land claims and rights, building a parcel identification system, and establishing dispute settlement systems for land rights adjudication.
- A spatial planning process is required to establish a street network, allocate public spaces, and a establish a settlement layout. This is especially necessary as existing parcels have been created through spontaneous and unplanned land developments.
- At policy level, there is need to address how land administration will affect economic activities in both the host and refugee community areas.

Enhance Regional Security and Peace

Military and police interventions have yielded mixed outcomes regarding the recurring conflicts in the Karamoja Cluster, where Turkana West is located. Fundamentally, there is a need to address the socio-economic dimension of conflict and insecurity in the border areas. A lack of alternative livelihoods among pastoralist communities is cited as one of the reasons for recurring strife, much of which is resource-driven, especially regarding water and pasture resources. This can be addressed by enhanced interventions to create sustainable urban settlements across Turkana West, the county and the wider region. Urban centres can offer alternative livelihood means, but they require effective urbanization strategies. These are currently not evident in urban centres in the region or across the country.

Strengthen Local Governance

Unlike other urban centres or regions in Kenya, governing Turkana West is a landscape of managing refugee-host community priorities, interests, relations, and most importantly, balancing humanitarian-development needs. Navigating these issues presents a complex context for governance of the area. Furthermore, this survey established that there is low public participation in programming and interventions in the area, which marginalises community contributions in determining issues, priorities and the interventions needed. This study recommends the following:

- Address institutional barriers that undermine economic productivity for both refugees and host communities. This may require modifying existing policies and legislation or addressing the absence of relevant policies and legislation.
- Establish urban management institutions and promote participation in governance. This entails establishing municipal administration in the main urban areas, especially Kakuma-Kalobeyei and Lokichoggio.
- Mobilize a shared understanding of the concept of 'Inclusion'- Interviewees in this study with various host community participants indicated there is disquiet in the host community that the prevailing interventions linked to KISDEP are not inclusive enough. Indeed, this research recommends an examination of how the concept of inclusion is approached and formulated by support agencies vis-à-vis how the host community view and understand the concept.

Conclusion

Enhancing business growth and local economic development in Turkana West will require a combination of efforts by multiple stakeholders, governments and NGOs. With the recent announcement by the Kenyan Government that it intends to close all refugee camps in the country, the future of the communities is a major concern. By the time of finalizing this report, it was not clear as to what will be the status of refugees after the closure or how the closure would be undertaken. To mitigate the negative effects that can come with such closures, such as those witnessed in Lokichoggio, it is important to invest in measures that prepare these communities for self-sustenance. Such investments will cut across sectors and spur local economic development. As the study reveals, the connectivity and market integration of businesses in the region is important for local economic growth in Turkana West. The A1 Road is already proving to be vital infrastructure for facilitating this integration. Future investments, such as LAPSSET, are anticipated to complement these benefits. However, significant investments are required to develop local infrastructure, particularly water and sanitation, transportation, and communication. Soft infrastructure is required to accompany these developments, including training and skills development for businesses, increased financial support, addressing land administration challenges and ameliorating other administrative constraints that businesses and local industries face.

CHAPTER 1. INTRODUCTION

Overview

The sub-county of Turkana West, in Turkana County, hosts one of the largest refugee settlements in Kenya and is among the country's most marginalised and underdeveloped areas. It exists in a crucial humanitarian-development-peace context: its international role – hosting refugees and contributing to the protection human rights and peace in the region – is balanced with the immediate and long-term development needs of its host community. This reality demands a fundamental shift in how programming for humanitarian and development interventions are conceptualised, designed and implemented in Turkana West. Already, the multi-agency programme Kalobeyei Integrated Socio-Economic Development Programme (KISEDP), formulated in 2015 (UNHCR, 2018),[5] uses an area-based approach that commits to a departure from business as usual. However, changing the KISEDP vision from a 'policy proposal' to tangible and transformative socio-economic development benefitting both refugees and host communities requires significant resources and inclusive programming, rooted in recasting problem and intervention framing, as well as a fundamental reconfiguration of assistance financing. Recently, the Government of Kenya (GoK) announced plans to close all refugee settlements in the country (UNHCR, 2021)[6]. This will present another layer of complexity, opportunity and challenges in addressing the socio-economic development of Turkana West.

The project, '*Sustainable Economic Development Along Turkana West Development Corridor Through Enhanced Connectivity*', of which this study is a part, was designed to support the ongoing intervention to reimagine socio-economic development in Turkana West, with emphasis on its regional context. It assumes that the enhanced connectivity and integration of Turkana West with its wider region is crucial for local area transformation. To configure this towards practical policy and programming, a socio-economic survey was designed that focuses on refugees and host community households, businesses, spatial analysis, and Local Economic Development (LED). This multi-dimensional analysis is crucial to better inform policy and planning for the humanitarian-development needs of the area. Many studies in Turkana West have previously focused solely on the refugee community, either ignoring the host communities or approaching communities in isolation, with a limited focus on spatial analysis and businesses. This limited focus regarding business was also noted in another recent Turkana West study (Sterck et al, 2020).[7]

This report is focused on documenting findings from the survey component that examined the business and local industries in Turkana West. This chapter will introduce the study and outline the structure of the report.

5 UNHCR (2018). Kalobeyei Integrated Socio-Economic Development Plan in Turkana West: Strategic Overview. Access 11/02/2021 on: https://www.unhcr.org/ke/wp-content/uploads/sites/2/2018/12/KISEDP-Strategic-Overview.pdf

6 UNHCR (2021). UNHCR Statement on the Government of Kenya's intention to close Dadaab and Kakuma refugee camps. Accessed 26/06/2021 on: https://www.unhcr.org/ke/19849-unhcr-statement-on-the-government-of-kenyas-intention-to-close-dadaab-and-kakuma-refugee-camps.html

7 Sterck, O., Rodgers, C., Siu, J., Stierna, M. F., and Betts, A. (2020). Cash Transfer Models and Debt in the Kalobeyei Settlement (Oxford: RSC). Accessed 24/06/2021 on: https://www.rsc.ox.ac.uk/publications/cash-transfer-models-and-debt-in-the-kalobeyei-settlement/@@download/file

Purpose and Objectives of the Study

This research was designed as part of the broader project *'Sustainable Economic Development Along Turkana West Development Corridor Through Enhanced Connectivity'*. This project is focussed on developing 'soft infrastructure' that can support enhanced socio-economic development in Turkana West, including spatial planning for economic investments. In that regard, this survey was designed to contribute useful data and information to implementation of the project activities, as well as to inform related programming in the area, particularly KISEDP and CIDP. The research was also designed to inform the feasibility of planning for the 'Kalobeyei Corridor Development Area', strategically located next to the Kalobeyei New Settlement, along the A1 Road connecting Kenya and South Sudan, and near the proposed Lamu Port, South Sudan, Ethiopia Transport Corridor (LAPSSET).

Specific objectives of the socio-economic survey were to:

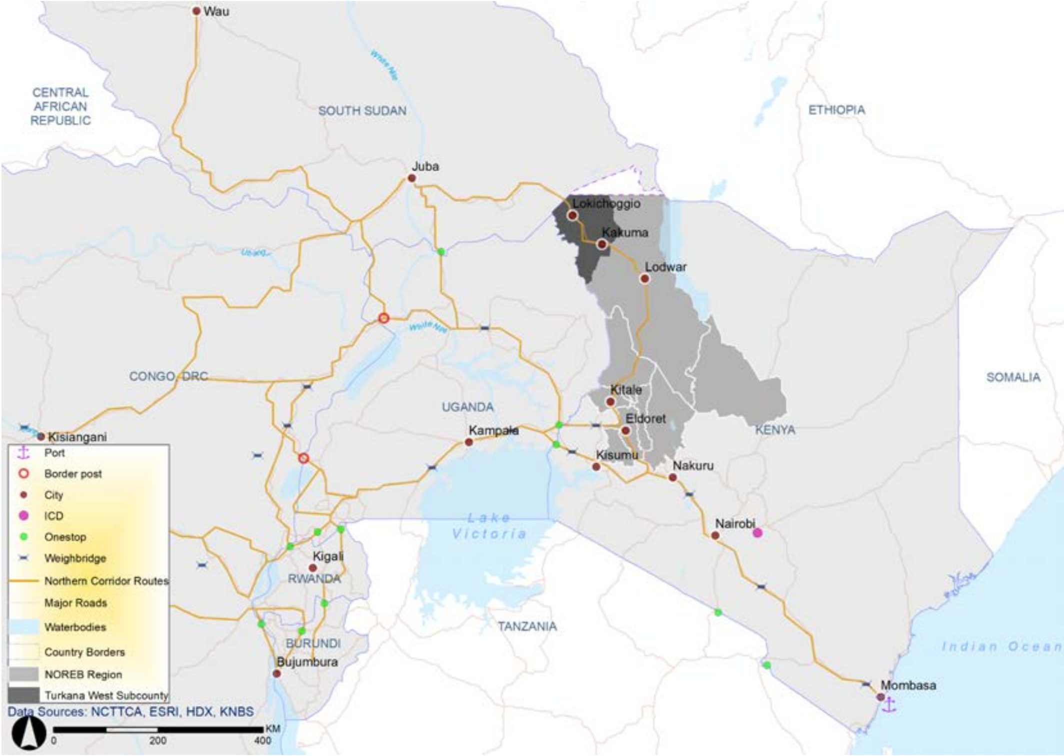
1. Establish the prevailing socio-economic conditions for refugees and host communities in Turkana West.
2. Identify key opportunities and challenges linked to improved socio-economic conditions Turkana West.
3. Establishes nature of businesses and local industries in Turkana West.
4. Establish the issues, opportunities and challenges related to businesses in Turkana West.
5. Examine supply chains and aspects of connectivity and integration of local businesses with regional economic flows and markets.
6. Identify opportunities and possible interventions for supporting businesses and enhanced local economic development in Turkana West.
7. Examine urbanization context of Turkana West, in relation to the regional context.
8. Identify and recommend policy interventions for enhanced socio-economic development in Turkana West.

The content in this report (Volume II) is primarily focused on Objectives 3, 4, 5, 6 and 8 of the survey, and relates the analysis to household socio-economic conditions (Volume I) and the regional urbanization context (Volume III). As the report reveals, the nature of businesses and the local economic developments in Turkana West are significantly connected to household incomes and livelihood strategies, as well as the regional system of urban centres, connectivity and integration.

Geographical Setting of the Study

The study was undertaken in Turkana West, which is part Turkana County in wider North Rift Kenya. The data is analysed in this context, while also considering the region's national and international contexts. Turkana West is a sub-county of Turkana County and plays a crucial national and international role in hosting refugees and asylum seekers. The sub-county borders Uganda, South Sudan and Ethiopia. The fieldwork was primarily concentrated in Turkana West Sub-County and other locations in Turkana County, including the county capital of Lodwar and the fishing industry centre of Kalokol on the shores of Lake Turkana. Fieldwork also extended to Kitale (Trans Nzoia County) and Eldoret (Uasin Gishu County) due to the connectivity and linkages that Turkana West economic activities have with these areas. The study targeted both refugees and the host community enterprises and settlements, as well as engaging national government agencies based in Nairobi.

Figure 1.1 Regional Context of the Study



Source: UN-Habitat / Turkana West Surveys (2020)

The study covered the entire sub-county but with a detailed focus on Kakuma and Kalobeyei settlements, where the population is most concentrated. A sampling of businesses for quantitative data collection took place across six wards: Kakuma, Kalobeyei, Letea, Lopur, Songot and Lokichoggio. Nanaam Ward was not covered due to high safety risks at the time of the fieldwork.

About Turkana West Sub-County

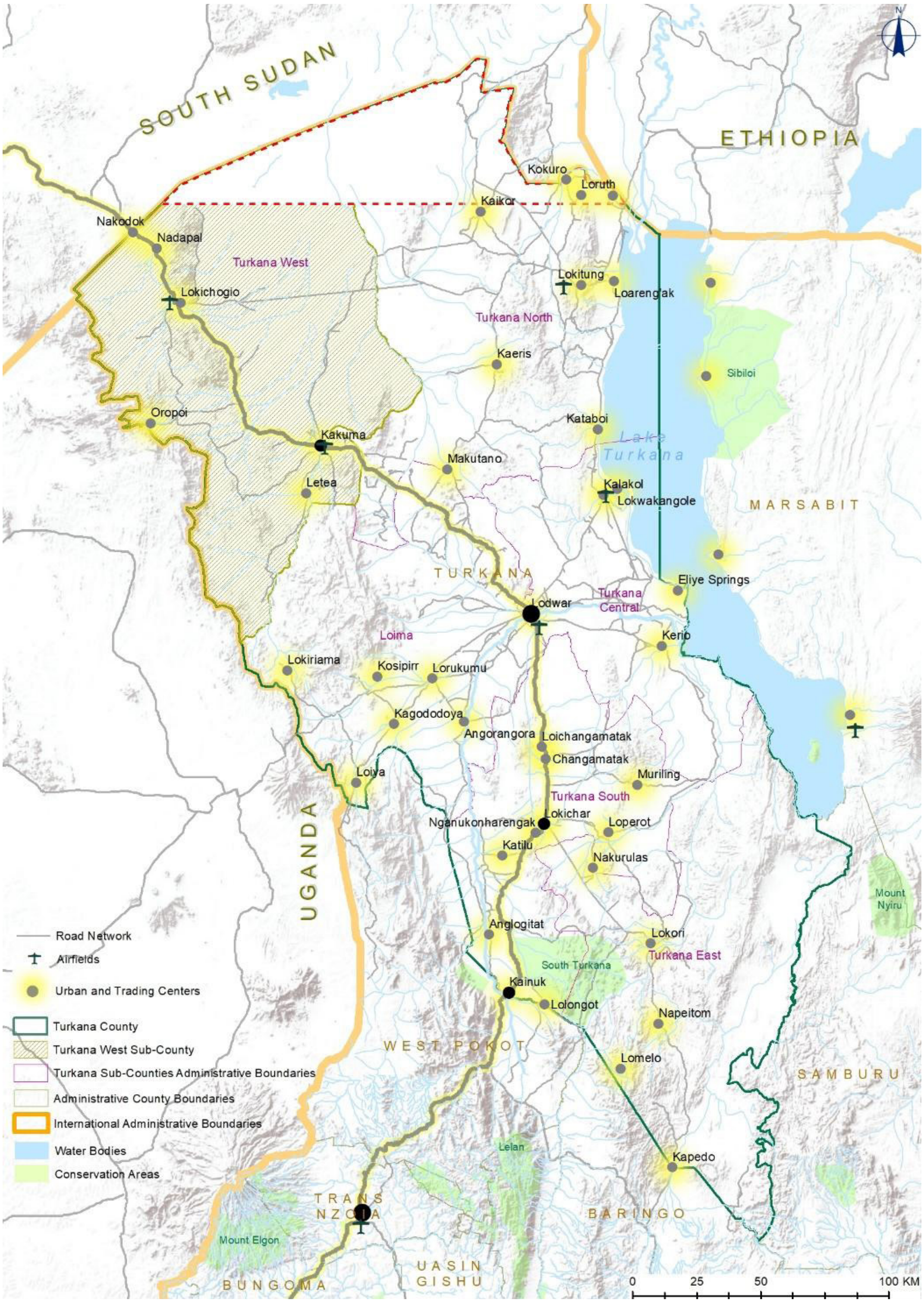
The 2019 census reported the sub-county of Turkana West has a population as 239,627, comprising 44,740 households and with an average density of 14 persons per square kilometre (KNBS, 2019a).[8] The density figure indicates a dispersed population distribution, primarily linked to the dominance of nomadic pastoralism as the main mode of livelihood sustenance and enterprise. Kakuma sub-location was reported to have a population of 129,545, with 30,411 for Lokichoggio, 25,905 for Nanam while Oropoi recorded a population of 53,766, of which 35,512 were in the Kalobeyei area (KNBS, 2019a). However, this census data does not include the refugee population, which recent data indicates is 162,544 at Kakuma Refugee Camp, and 41,522 at Kalobeyei New Settlement (UNHCR, 2021).[9] Therefore, the combination of refugee and host communities makes a total population of more than 343,210 in the Kakuma-Kalobeyei area. This is a significant population concentration in an arid and historically marginalised area with poorly developed infrastructure and limited natural resources. The main urban centres in the sub-county are Lokichoggio and Kakuma, where populations were reported by the census as 11,626 and 22,984, respectively. Notably, the 2019 census reports a lower population for Kakuma town compared to the 2009 census, which indicated that the town's population was 31,581. A decline in Lokichoggio's population was also recorded, when compared to the 13,728 residents counted in 1999 (Brinkhoff, 2021).[10] While the decline in Lokichoggio's population can be

8 KNBS (2019a). 2019 Kenya Population and Housing Census: Volume II. Nairobi, Kenya National Bureau of Statistics (KNBS)
9 UNHCR (2021). Total Refugees and Asylum Seekers in Turkana. Online Access (11/03/2021): https://data2.unhcr.org/en/country/KEN/796
10 Brinkhoff, T (2021): City Population. Online Access (11/03/2021): https://www.citypopulation.de/en/kenya/cities/

linked to the economic decline and out-migration caused by the closure of refugee assistance operations in the town, the reasons for Kakuma's decline are less clear, requiring an examination that considers the referenced town boundaries and the timing of the census.

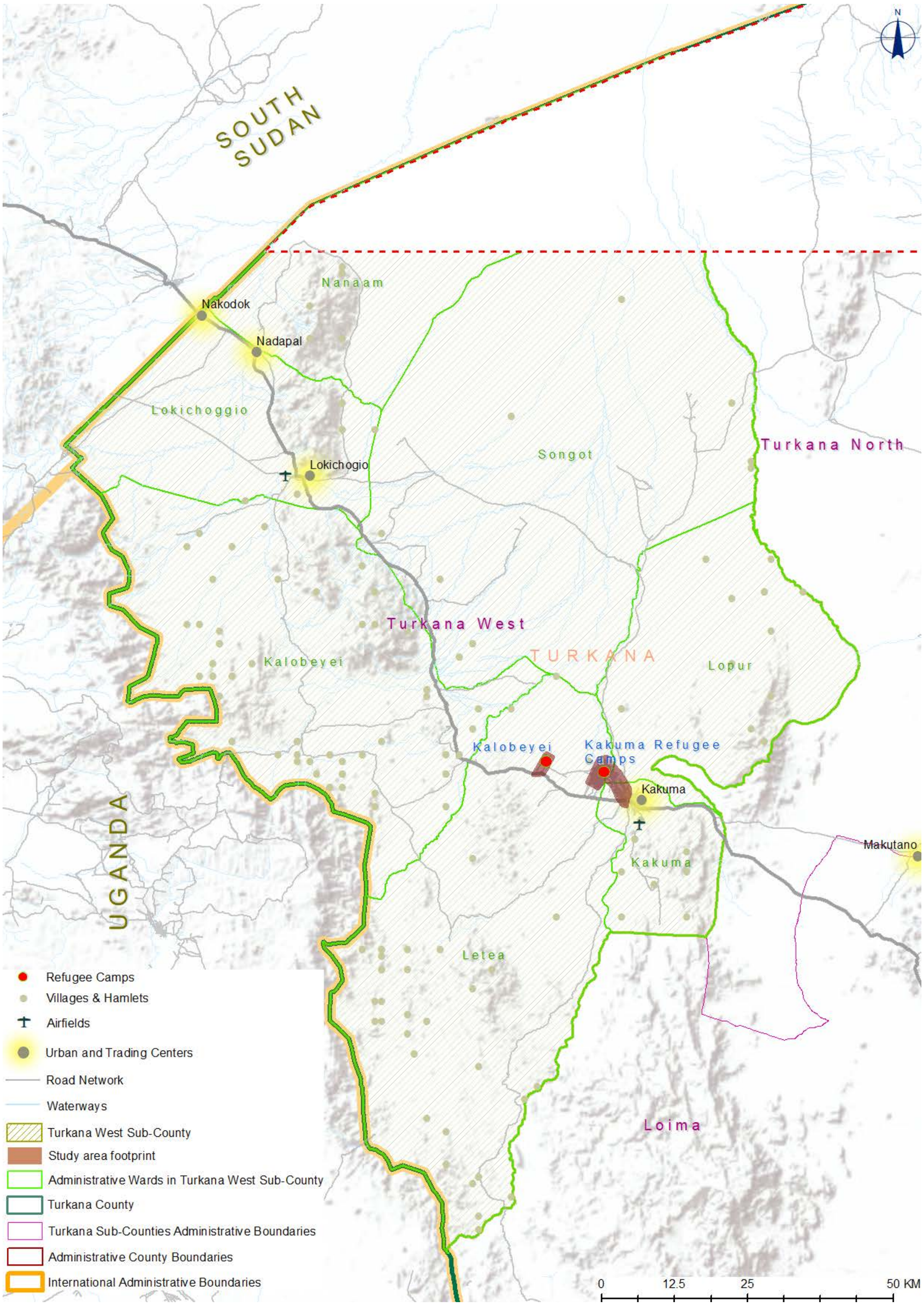
The A1 international road connects Kenya and South Sudan through Turkana West. For many years, this road was in poor condition and of limited use, but ongoing reconstruction efforts will soon open it up for intensified transportation between the two countries. In addition, Kenya and South Sudan have planned to invest through the LAPSSET programme to build a railway, pipeline and highways to enhance connectivity in the future. However, poor road conditions and poorly developed infrastructure, including energy, education, and healthcare infrastructure, (UNHCR, 2018) remain significant barriers to the area's socio-economic development.

Figure 1.2 Turkana West Sub-County in relation to the county



Source: UN-Habitat / Turkana West Surveys (2020)

Figure 1.3 Turkana West Sub-County



Source: UN-Habitat / Turkana West Surveys (2020)

Conceptual Approach and Methodology

This study was informed by a four-dimensional conceptual approach, which includes spatial, economic, socio-political and environmental dimensions. This framework informed the study's data needs and the focus of the fieldwork. Prior to fieldwork, the study undertook a desk review of existing literature and conducted spatial analysis at various scales (international, national, regional, and local) to position Turkana West in terms of a spatial-economic context.

Figure 1.4 Study Conceptual Approach

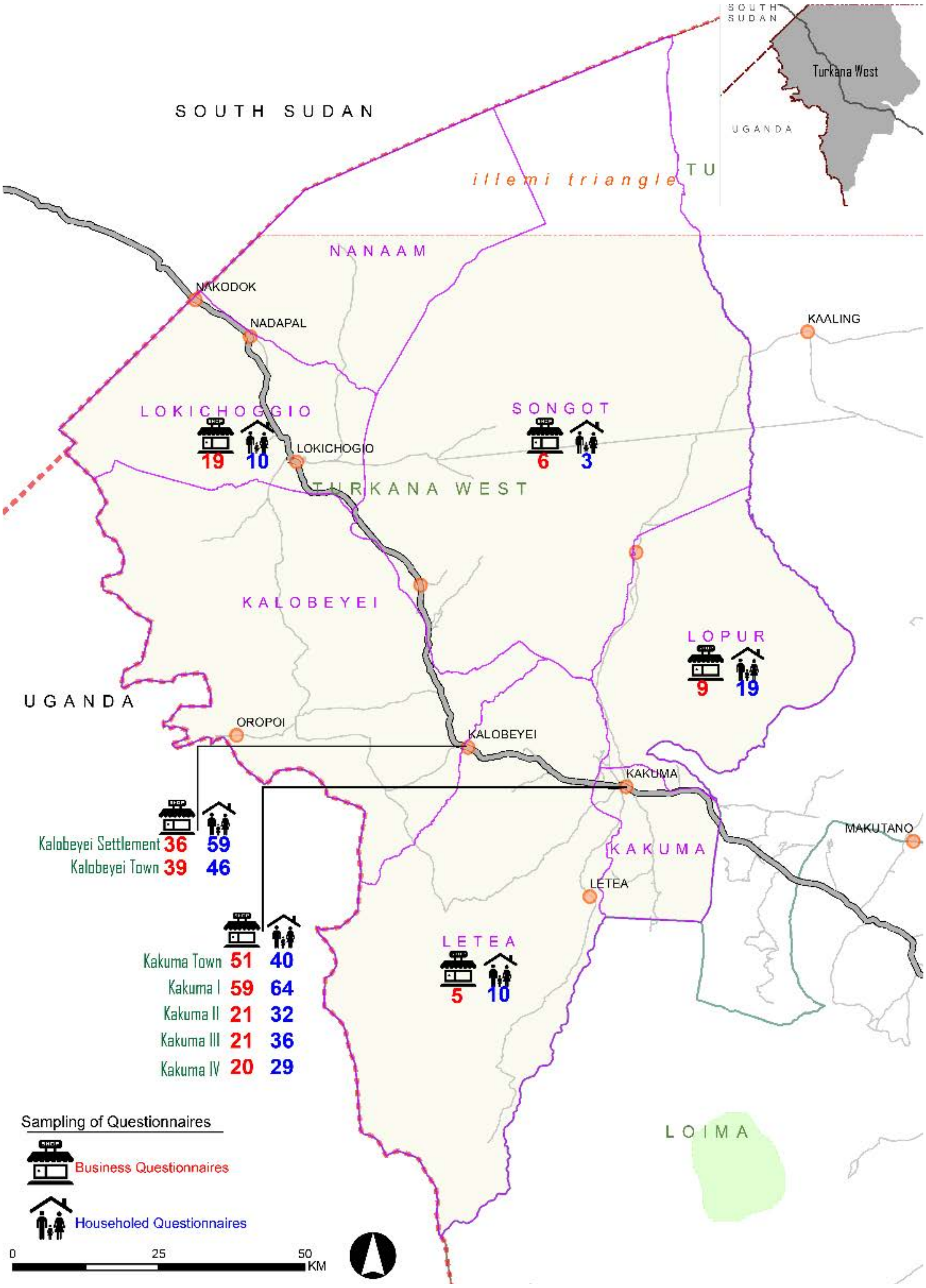
Source: UN-Habitat / Turkana West Surveys (2020)

A mixed methods research design was applied, combining qualitative and quantitative techniques for data collection and analysis, and utilizing both primary and secondary data. Secondary data focused on reviewing recent studies and literature related to socio-economic development in Turkana West. This desk review provided a critical entry point for the formulation of primary data collection activities that combined quantitative and qualitative tools. The primary data was collected between October 2020 and January 2021 and was analysed and synthesised with the secondary data analysis. As this data was collected during the COVID-19 pandemic, the stipulated health protocols were observed. However, this timing presented various limitations to the study, which will be discussed later in the report.

Field Surveys

Quantitative Data – the field survey covered a sample of 283 businesses from the various wards. Respondents were selected randomly, with a sampling design that considered demography, gender parity, mix of businesses, refugee and host community representation, as well as age and nationality. The quantitative data collection was administered through the KoBoToolbox. The respondents were business operators of varied enterprises, both formal and informal.

Figure 1.5 Distribution of Business Sample



Source: UN-Habitat / Turkana West Surveys (2020)

Qualitative Data- Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) were designed to gather qualitative data by engaging participants in in-depth conversations about prevailing socio-economic conditions, businesses, and local economic development in the study area. The survey conducted 37 KIIs selected from the local actors in businesses and the informal sector, county government officers, national government officers and officers working with various non-governmental organizations operating in Turkana West. Five (5) FGDs were conducted with business operators in the Kakuma-Kalobeyei and Lokichoggio areas.

Spatial profiling of public markets and settlements – Informal markets were found to be a major space for socio-economic activities. The study designed a method to profile public markets that combined informal interviews with market leaders and Geographic Information Systems (GIS) mapping using Android apps, such as MAPinr and GPS Essentials and participatory mapping. This mapping captured the location and basic information about each market, including a profile of traders, the commodities traded, the infrastructure and services available to market operators, as well as constraints and opportunities etc. The profiling of markets was complemented by a similar participatory mapping of the settlements, focussing on understanding land use management and infrastructure development issues. The profiling of markets and settlements was undertaken in Kakuma-Kalobeyei, Lodwar and Lokichoggio. Additionally, market profiling was undertaken for specific markets in Lodwar and Kitale towns, given the significance of these markets to the commodity supply chains in Turkana West, especially food production. The study conducted mapping of settlements and profiling public markets in Kakuma, Kalobeyei and Lokichoggio in Turkana West, and in Kitale (Uasin Gishu County). This entailed using printed base maps combined with digital mapping applications (MAPinr and GPS Essentials) and informal key informant interviews about the locality spatial issues, transect walks and observations.

Study Limitations

The study encountered several limitations. Most notably, conducting fieldwork during the COVID-19 pandemic present various challenges. Although the research relied on digital questionnaires, administering the questions required the physical presence of the data collector, as many of the respondents could not participate virtually due to connection issues. The questionnaires were administered with social-distancing and the wearing of masks, but communication was not as effective as it would have been in ordinary circumstances. KIIs and FGDs were also limited in the size of groups, the duration and the number of sessions conducted. As such, virtual discussions were prioritised. Mobility was another challenge faced during fieldwork as rainfall, combined with poor road conditions, prevented access to various parts of Turkana West. Moreover, poor telecommunication infrastructure and safety risks prevented data collection in some remote rural areas, especially Nanaam Ward. Similar safety challenges prevented access to parts of Lopur, Letea, Lokichoggio and Songot wards.

The local community (both refugees and hosts) speak a variety of languages, with no universally spoken language. The indigenous Turkana language is the main language for the host community, supplemented by Kiswahili. Among the refugees, language is primarily determined by origin, i.e. nationality and tribe. For instance, refugees from Somalia are fluent in Somali, while those from South Sudan are fluent in Dinka and Nuer etc. Consequently, the research had to rely on translations from English to the languages spoken in the community. Although the survey tools were administered as targeted, the language barrier remained a challenge as meanings can be lost when framing questions or recording the responses of participants. Conducting findings sessions with respondents helped validate the findings, but this does not entirely ameliorate language as a limitation in studies of this nature.

In addition to the limitations related to primary data, the scant spatial data available in Turkana West limited the scope of spatial analysis. However, by rebuilding published map data, open-source data (e.g. Google Earth) and attributing data in various documents, the study was able to undertake crucial spatial analysis. The study was also limited by the lack of existing research that analysed Turkana West as a whole. Many studies related to the area tend to be one-sided, either focusing solely on refugee issues or host community issues, such as pastoralism. Moreover, many studies have not connected household socio-economic conditions with local economic activities.

Structure of the Report

This report is organized into five main chapters as follows:

Chapter One: Introduction – This chapter introduces the project by outlining the purpose and objectives, study area, methods and study limitations.

Chapter Two: Turkana County and the Refugee Crisis Context – This chapter frames the context of local economic development in Turkana West, focussing on migrations, displacement and the role of the refugee crisis in shaping human settlements in the area.

Chapter Three: Regional Spatial-Economic Context of Turkana West – The regional context of Turkana West is discussed in this chapter, including the geographical positioning and its meaning, the national and regional context, and the connectivity and linkages.

Chapter Four: Businesses and the Local Economic Activities in Turkana West – This chapter presents and discusses findings from the field survey, focusing on the businesses surveyed, including the issues that affect their productivity (challenges and opportunities). The results reveal the business environment in Turkana West and provide an understanding of the livelihood enterprises that support many households in the area.

Chapter Five: Supply Chains and Regional Connectivity – Further discussions from the survey findings are provided in this chapter, seeking to expand the analysis to the regional relations that businesses in Turkana West have with other centres or areas. These findings provide an understanding of the significance of market networks, connectivity, and integration of the local economy with a broader economic exchange network. The role of infrastructure and services is at the centre of these discussions.

Chapter Six: Conclusion and Recommendations – Finally, the report derives key conclusions from the study and offers a set of recommendations for policy and development planning in Turkana West.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CHAPTER 2. REFUGEES, MIGRATIONS AND TURKANA COUNTY

Overview

This chapter will analyse Turkana County in the context of migrations, the refugee crisis and urbanization in Kenya. The chapter begins by framing the national-level context in relation to migrations and refugees, then discusses urbanization in Turkana County, including the role of refugee settlements, and finally examines the county's role in hosting refugee settlements in its historical context of marginalisation. It is critical to note that Turkana and Garissa counties host the largest share of refugees and asylum seekers in Kenya. Other important counties playing this role include Nairobi, Mombasa, Uasin Gishu (Eldoret) and Trans Nzoia (Kitale). While Turkana and Garissa counties host refugees in established encamped settlements, these other counties host refugees and asylum seekers reside in urban centres. According to the UNHCR (2021), Kenya currently hosts 508,033 registered refugees and asylum seekers, of which 84% live in camps.[11] Nevertheless, the encamped settlements have triggered urbanization in Turkana and Garissa counties and contributed significantly to the local socio-economic conditions.

Migrations and the Refugees Crisis in Kenya

In Eastern Africa, Kenya is major destination for refugees and migrants seeking opportunities and residence in the major cities (International Organization for Migration, 2015).[12] This phenomenon is linked to several factors, including rural-urban migration within the country, 'economically-driven' cross-border migrations, and the forced migration of refugees and asylum seekers.

Across Africa, Kenya ranks highly in the admission of forced migrants, recording a refugee and asylum seeker population of 519,989 in May 2021 (UNHCR, 2021),[13] though this figure does not account for the country's many unregistered refugees and asylum seekers. Turkana County is affected by both internal (i.e. domestic) and international migration. Internal migration is linked to the temporary and perennial movement of pastoralists, however, recently there has been significant rural-urban migration centring on Lodwar town as the primary destination.

Major catalysts for cross-border migration in the region include perceptions of better economic and livelihood opportunities, as well as forced migration due to conflict, political tension, natural disasters and other forms of regional insecurity. The Eastern African countries of Ethiopia, Kenya and Uganda host the highest number of international migrants across Africa, as of mid-2020 (UN Department of Economic and Social Affairs, 2020). Many of these migrants are transiting to Southern Africa or the Middle East, and are largely unregistered. This form of migration is less understood in the Kenyan context and there is very little research on the topic (Marchand, et al, 2017).[14] While Kenya hosts many refugees from South Sudan, there is very little labour migration between the two nations. With enhanced transportation connectivity between Kenya and South Sudan via the A1 road through Turkana County, labour migration between Kenya and South Sudan is likely to increase. This will introduce a new dimension to how migration is understood and addressed in Turkana County, especially with regards to the role that secondary cities in the North Rift Region will play in this future pattern of migration.

11 UNHCR (2021). Kenya: Registered Refugees and Asylum Seekers. Online Access: https://www.unhcr.org/ke/wp-content/uploads/sites/2/2021/02/Kenya-Infographics-31-January-2021.pdf
12 International Organization for Migration (2015). Migration in Kenya: A Country profile 2015
13 Ibid.
14 Marchand, K (2017). Study on Migration Routes in the East and Horn of Africa. Online Access (19/2/21): https://www.merit.unu.edu/publications/uploads/1517475164.pdf

Refugees and asylum seekers who arrive in Kenya are mainly hosted in the Kakuma-Kalobeyei and Dadaab refugee camps, where the camps have evolved into the largest form of clustered settlements. Kenya's refugee population has fluctuated over the years, often due to events occurring in refugees' home countries. For instance, periods of relative stability in South Sudan and Somalia see less refugees entering Kenya.

Urbanization and Refugee Settlements in Turkana

Urbanization in Kenya is strongly linked to increasing rural-urban migrations in the country and region. The urban population has steadily increased, with recent data indicating that 31% of Kenya's population (or 13,486,823 persons) now live in urban centres (Republic of Kenya, 2020).[15] The majority of Kenya's urban population is concentrated along the Northern Economic Corridor (NEC), which is comprised of three economic clusters: coastal, central and western (World Bank, 2016).[16]

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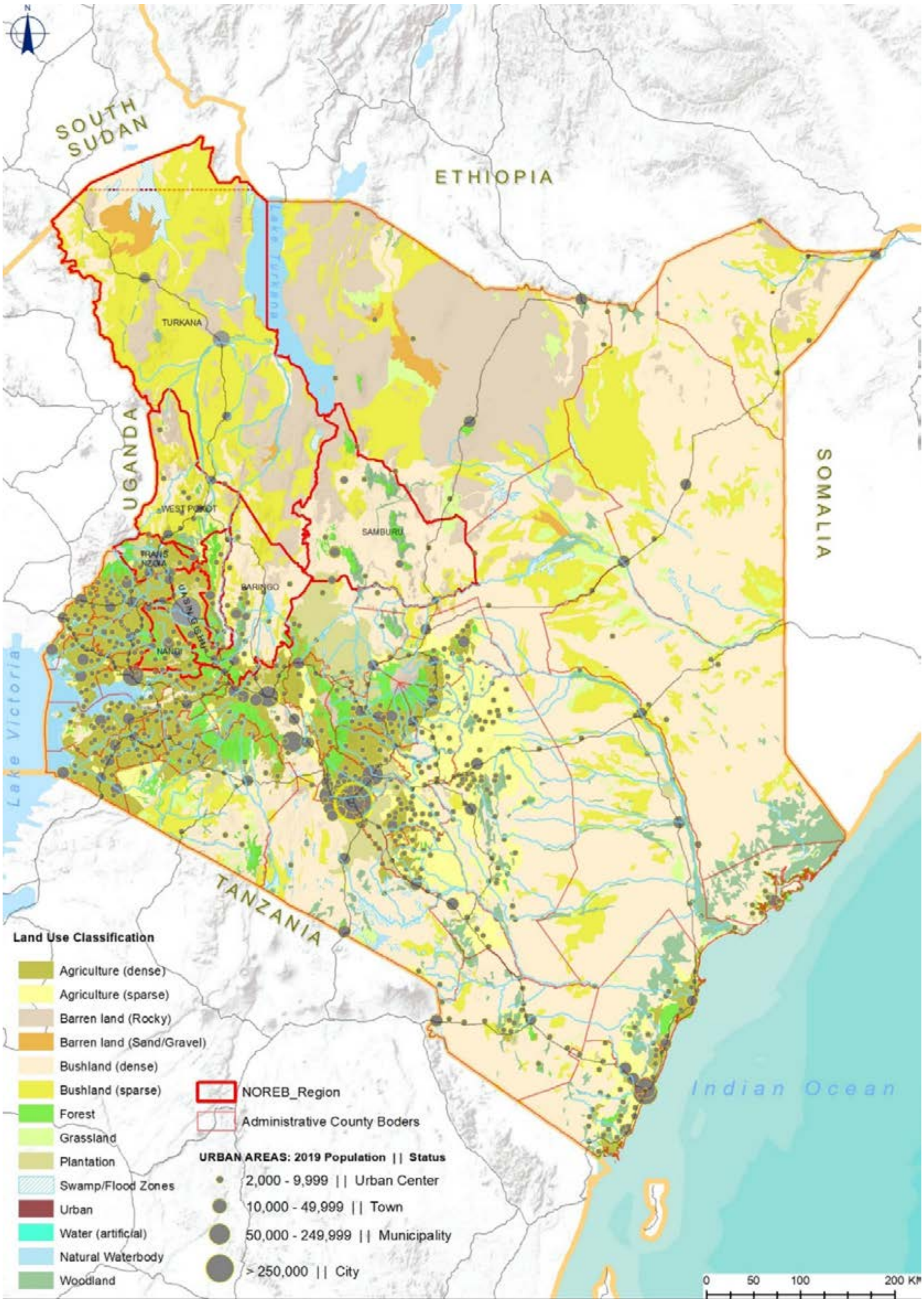
'Urban economic growth has been established around population centres and productive agricultural regions, with most urban dwellers living near the Northern Corridor, which connects Mombasa Port through Nairobi to Malaba, with a branch line to Kisumu in the west. Less than **14%** of urban dwellers live in remote towns farther than 35 kilometres from the Northern Corridor. In total, **76%** and **85%** of urban dwellers live within 15 kilometres and 35 kilometres of this corridor, respectively, underscoring its importance to urbanization.'
— World Bank (2016).

15 Republic of Kenya (2020). 2019 Kenya Population and Housing Census: Volume II. Kenya National Bureau of Statistics, Nairobi
16 World Bank (2016). Kenya Urbanization Review. Washington DC, World Bank Group

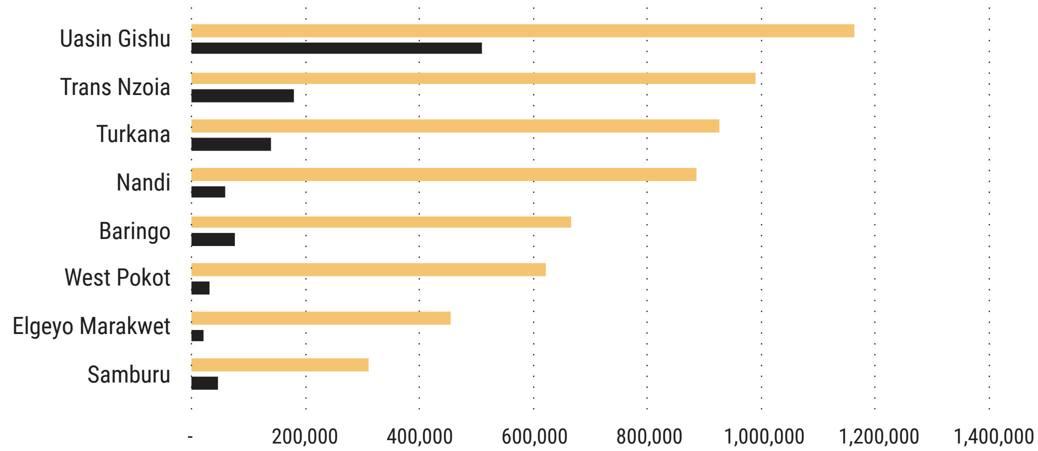
Figure 2.1 Kenya's Urbanization Geography



Source: UN-Habitat / Turkana West Surveys (2020)

Northern Kenya and the ASALs in general are the least urbanized regions in Kenya. ASALs include areas in the Northern Rift Economic Bloc (NOREB) region, specifically Samburu, West Pokot, Turkana and Baringo counties. The process of urbanization has been very slow in these counties – something that can be closely associated with the region's population growth dynamics, the sedentary way of life of the largely pastoral communities, and years of both economic and developmental marginalisation. In Turkana County, the 2019 census indicated that 16% (or 140,791 persons) resided in urban areas. While this indicates a relatively low level of urbanization, the growth rate is high, particularly in urban areas – as is the case with other counties in the NOREB region.

Figure 2.2 NOREB Counties: Share of Urban Population to Total Population in 2019



	Samburu	Elgeyo Marakwet	West Pokot	Baringo	Nandi	Turkana	Trans Nzoia	Uasin Gishu
Total Population	310,327	454,689	621,241	666,763	885,711	926,976	990,341	1,163,186
Urban Population	47,132	20,579	31,841	75,289	59,479	140,191	178,734	510,205

Data Source: KNBS (2019a).

Overall, the NOREB region is dominated by small urban centres, which primarily serve as market centres for the livestock and agro-based economy of the region.

Table 2.1 Urbanization Patterns for ASALs and North Rift Counties

County/Urban Centre Population Size	Less than 10,000	10-20,000	>20-50,000	>50-100,000	Total urban population in the county
Baringo	4		2		65,283
Samburu	4		1		47,132
Turkana		3	1	1	140,791
West Pokot	1		1		31,841
Total No. cities	**9**	**3**	**5**	**1**	**18**

Data source: KNBS(2019)

'Population growth, the expansion of the youth population and the impact of recurrent droughts upon pastoralist communities, have resulted in rapid levels of urbanization in Turkana County.' — ***Turkana County CIDP 2018/22 p.19***

According to the County Government of Turkana (2018), increasing urbanization in the county is largely driven by rural-urban migration, associated with diminishing prospects of livelihood sustenance through traditional pastoralism (CGT, 2018).[17] Recurrent droughts have compelled many households to seek alternative livelihoods, including urban-based opportunities. The youth are increasingly opting to migrate to the county's major urban centres in search of alternative livelihoods and to seek access to education and training. Clustered settlements are also consolidating, with increasing numbers of households opting to undertake sedentary agriculture (e.g. along the Turkwel River), or a combination of pastoralism (either sedentary or nomadic) with some other alternative livelihood, such as craft industries (e.g. basketry), fishing (e.g. along the shores of Lake Turkana) or other business activities (International Livestock Research Institute-ILRI, 2008).[18]

Lodwar, the county's largest urban centre, is expanding at a very rapid rate. The town's population grew from 44,153 in 2009 to 82,970 in 2019 (KNBS, 2009; 2019). However, this rapid urbanization has not been matched by the provision of adequate infrastructure, housing or the availability of adequate income generation, resulting in increasing levels of urban poverty. Fundamentally, the arid and semi-arid conditions of Turkana County, combined with its historical context of marginalisation, compound the socio-economic challenges facing the county's growing urban centres and rural settlements.

Kakuma town, however, is the second largest urban centre in the county and has experienced a decline in population, according to the 2019 census (See KNBS, 2019a). This is at odds with this trend of urbanization that has seen rural migrants moving to urban centres seeking the economic benefits associated with the presence of refugees in the area. The county government issued a statement in 2019 questioning Kenya's census agency (KNBS) over this recorded decline in population, arguing that its population projections indicate a higher population than what the 2019 census reported. An excerpt of that statement is as follows:

'According to KNBS 2014 Kenya Demographic and Health Survey, Turkana County's fertility rate is 6.9%. The growth rate is 3.35%, higher than the national average used by KNBS of 5.9% fertility rate and 2.2% growth rate, respectively. This has contributed to the underreporting of the Turkana County population by 234,221 people according to our projection using the county's fertility and growth rates of 6.9% and 3.35%' (— ***County Government of Turkana, 2019***).*

** County Government of Turkana (2019). Statement on the 2019 Kenya Population and Housing Census Wednesday 6th November 2019, Lodwar Kenya. Online Access (20/01/21): https://www.turkana.go.ke/index.php/2019/11/06/statemenat-on-the-2019-kenya-population-and-housing-census-wednesday-6th-november-2019-lodwar-kenya/*

17 County Government of Turkana (2018). Turkana County Integrated Development Plan 2018-2022.
18 ILRI (2008). Livelihood diversification opportunities for pastoralists in Turkana, Kenya. International Livestock Research Institute (ILRI), Nairobi, Kenya. Online Access (18/2/21): https://cgspace.cgiar.org/bitstream/handle/10568/233/RR5_LivelihoodDiversification.pdf?sequence=1

Figure 2.3 Population of Turkana County Sub-Locations as Reported by The Census in 2019

Sub-Location	Kibish	Loima	Turkana Central	Turkana East	Turkana North	Turkana South	Turkana West
Sub-Total	36,769	107,795	185,305	138,526	65,218	153,736	239,627
Male	18,651	54,341	93,145	76,871	32,810	78,402	123,867
Female	18,117	53,453	92,160	61,643	32,408	75,329	115,758
No. of Households	5,805	19,438	38,173	17,981	13,119	24,552	45,451

Data Source: 2019 Kenya Population and Housing Census

'One striking observation about Kakuma refugee camp is how vibrant the economy is and how refugee-owned businesses also serve host communities. According to UNHCR, when there was talk about closing Kakuma in the early 2000s, there was an uproar among the host community, who saw the camp as their main source of employment, business opportunities, and commercial goods. The decision to move thousands of refugees from Dadaab to Kakuma in 2009 came as a relief to some.'

Refugee settlements in Turkana West have driven urbanization in the county. Kenya's encampment policy has facilitated the establishment of settlements that are purposively designed to accommodate refugees. Small towns have since emerged next to these refugee camps as the case with Kakuma Town. Fundamentally, the impact of refugees on the county's urbanization has produced mixed outcomes, as we demonstrate in the ensuing section. For instance, Lokichoggio town's economy and growth largely depended on refugee assistance programming, but since those activities ended in Lokichoggio, the town has been in decline. This signals an uncertain future for Kakuma town, where growth is also strongly linked to the refugee presence. Current interventions are largely focussed on humanitarian assistance, with little investments to the long-term development of the area. But there are recent regional infrastructure investments, notably the A1 road and proposed LAPSSET, which could stimulate long-term urban development in Kakuma-Kalobeyei and Lokichoggio.

These investments will enhance connectivity, especially in transportation, which could trigger increased flows of migration between South Sudan, Turkana West and the rest of Kenya. This will foreground migration induced by economic factors, rather than the forced migration that has dominated cross-border movement between the two countries. Whether the major urban centres in Turkana become a major destination for this likely migration is an important consideration for policy.

Refugees and the Turkana Economy

The contribution of migrants to the economic growth and development in their destinations has long been debated . According to the International Organization for Migration (IOM, 2020),[19] 'The benefits of migration for development are not however automatic, nor is migration a panacea for development'. Forced migrations present a complex dimension to this debate. There is a consensus that if migration is a result of development failure, then only the poor will migrate. Importantly, migrants have been found to contribute to development in receiving countries, and at the same time development processes have been found to contribute to migration (IOM, 2020). In Turkana, many studies have emphasised the economic significance of refugees in Kakuma (World Bank, 2016a),[20] despite the encampment policy that restrict their freedom of movement. Indeed, this does not prevent refugees from being economically active, but it does limit their participation in the local economy. An excerpt from the 2016 World Bank study says:

19 International Organization for Migration (2020). Africa Migration Report: Challenging the Narrative. Online Access (19/2/21): https://publications.iom.int/system/files/pdf/africa-migration-report.pdf

20 World Bank (2016a). 'Yes' In My Backyard? The Economics of Refugees and Their Social Dynamics in Kakuma, Kenya. Online access [23/02/21]: http://documents1.worldbank.org/curated/en/308011482417763778/pdf/111303-WP-Kakuma-Report-Yes-in-my-backyard-December-2016-PUBLIC.pdf

'In Kenya, the land issue is more sensitive. The government feared that the refugees might become settled in valuable areas of the country, especially in the highlands. In these underpopulated areas, refugees cannot be used to develop non-existent agricultural activities. Potential for progress in that direction is negligible unless huge investments are poured into a peripheral region which has never been a priority for the government in Nairobi (Musambayi 1998; Schlee 1999).'*

* *Kangwaja, P (2000). Refugee Camps or Cities? The Socio-economic Dynamics of the Dadaab and Kakuma Camps in Northern Kenya. Journal of Refugee Studies Vol. 13, No. 2, 2000.*

In Turkana County, Kakuma is one of the main markets for livestock. This is linked to the high population concentration in the area, mainly attributed to the refugee settlements. In 2004, about 300 goats were slaughtered in Kakuma each day (ILRI, 2008). This number is projected to be higher now, given the Kalobeyei New Settlement has since been established. However, much of that livestock is not locally produced, but transported to Kakuma from remote areas (mainly Letea, Loreng, Lokangai and Oropoi).

According to the World Bank (2016),[21] there is a net positive impact from the presence of refugees in Turkana West in relation to access to social services and socio-economic growth. However, these refugee hosting areas face numerous development challenges, including their historical context of marginalisation. This complicates the debate of whether the presence of refugees have net positive impact on the local areas' development. Notably, studies have also shown that disparities exist between refugees and host communities for various socio-economic indicators (UN-Habitat, 2018).

Furthermore, Turkana West and Dadaab are arid areas with significant challenges regarding water supply and food production, and have underdeveloped infrastructure that disadvantages their connectivity and integration with wider socio-economic networks. Land is largely utilised for pastoral livestock production, mainly through nomadic pastoralism. For decades, policy makers have considered these areas to be of low potential, thereby contributing to the marginalisation has led to the current desperate need for infrastructure.

Historical Marginalisation and Prevailing Development Challenges

To understand the prevailing socio-economic conditions in Turkana West, it is important to consider its historical context of marginalization. The Kenyan Constitution (2010, Section 260) defines a marginalised community as:

Turkana has been characterised by both its decades of marginalisation and underdevelopment and its desert-like conditions, as have Kenya's pastoral communities in general. Indeed, around the world, pastoralists are historically ranked among the most socially, politically, and economically marginalised communities (Derbyshire, 2021).

According Kenya's Commission for Revenue Allocation (CRA, 2012),[22] Turkana County is listed among the most marginalised regions in the country. The CRA associates such regions with policy and governance issues, including 'conflicts and insecurity, livestock marketing, land rights, inadequate provision of services and infrastructure, drought and dependence on food aid'.

21 World Bank (2016). Refugee Impacts on Turkana Hosts: A Social Impact Analysis for Kakuma Town and Refugee Camp Turkana County, Kenya. Online Access (20/1/2021): http://documents1.worldbank.org/curated/en/359161482490953624/pdf/111309-REVISED-PUBLIC-Turkana-Social-Impact-Analysis-December-2016.pdf

22 CRA (2012). Survey Report on Marginalized Areas/Counties in Kenya. CRA Working Paper No. 2012/03. Accessed 02/06/2021 on: https://cra.go.ke/downloads/#

a) A community that, because of its relatively small population or for any other reason, has been unable to fully participate in the integrated social and economic life of Kenya as a whole;

b) A traditional community that, out of a need or desire to preserve its unique culture and identity from assimilation, has remained outside the integrated social and economic life of Kenya as a whole;

c) An indigenous community that has retained and maintained a traditional lifestyle and livelihood based on hunter or gatherer economy; or

d) Pastoral persons and communities, whether they are:

   i) nomadic; or

   ii) A settled community that, because of its relative geographic isolation, has experienced only marginal participation in the integrated social and economic life of Kenya as a whole.'

Source: (Republic of Kenya, 2010)

Box 2.1: The Metanarrative of Marginalisation

An excerpt from a World Bank (2016, P 37-38) reads:

'The Turkana were systematically marginalised by the British and subsequently by the Kenyan government through:

- Punitive military action and confiscation of livestock by the British.
- The closed district administration and resulting isolation and policed supervision of the Turkana as individuals and as a society (1930–86);
- A lack of purposeful development in Turkana County; and
- Ongoing narratives among policy makers and political elites about the inability and/or unwillingness of the Turkana to participate in ongoing development efforts.

The Turkana are excluded from mainstream Kenyan society. 'Down-Kenyans' discriminate against the Turkana by:

- Excluding them from jobs given to down-Kenyans even if they are qualified, unless they are low-paying, menial, or security-related; and
- Socially discriminating against the Turkana, even as individuals, treating them poorly through exclusion and marginalisation in Kenya and elsewhere.

The Turkana see their primary problem as neglect by the government. Respondents report that:

- The government does not care about the Turkana and that even county government politicians are not concerned about their well-being.
- The political experience is an exercise in futility, where politicians come, ask for votes, make promises, and then disappear—only to reappear during the next election cycle.'

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Marginalisation by both colonial and post-colonial era regimes has contributed to Turkana County recording some of the nation's highest levels of poverty, coupled with chronic under-investment of public resources. This is also true of the regions formerly known as the Northern Frontier Districts, where the population are predominantly pastoralists. A 2012/13 study by CRA indicated that 'Turkana, Marsabit, Mandera, Lamu, Wajir, Isiolo, Samburu, Tana River, West Pokot and Garissa are the most marginalised counties in Kenya.[23]

Therefore, interventions that seek to address Turkana's humanitarian and development challenges have minimal chances of success if they ignore the marginalisation context.

Indeed, the World Bank (2016, p.7) has noted that the economic significance of Kakuma refugee camps (and, by extension, the more recent Kalobeyei New Settlement), 'must be developed with the understanding that the Turkana retain memories of exclusion and a history of marginalisation. If not accounted for, it will hamper any interventions, through lack of support, overt discouragement, and even violence'. Moreover, development actors cannot ignore the history of development aid in the county. Despite combined government and non-government efforts, the county's households remain highly impoverished and disconnected from the rest of Kenya.

23 ibid

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CHAPTER 3. REGIONAL CONTEXT OF TURKANA WEST

Overview

The local economic development in Turkana West is influenced by actors and processes operating within and beyond the local area. Therefore, this chapter outlines important regional context issues affecting local economic development in Turkana West. This includes issues affecting local businesses whose networks extend to NOREB, national and cross-border interactions. The geographical location of Turkana West, combined with the historical context of marginalisation, has resulted in connectivity and integration challenges that have undermined local economic development. This chapter will outline the geographic context of Turkana West, the regional economic context, the significance of regional infrastructure connectivity and integration, and conclude by outlining the local economic development trends in the sub-county.

The Geographic Context of Turkana West

Turkana West is located on the west bank of Lake Turkana, bordering the sub-county of Turkana North. Turkana North borders Ethiopia to the north and Marsabit County to the east. This means that both Turkana West and Turkana North are important border areas, making Turkana County exceptional in Kenya's political and administrative geography because it is the only county that shares Kenya's border with three countries – Ethiopia, South Sudan and Uganda. The disputed Ilemi Triangle also lies in this region. South Sudan and Ethiopia are the countries of origin for thousands of refugees hosted in Turkana West.

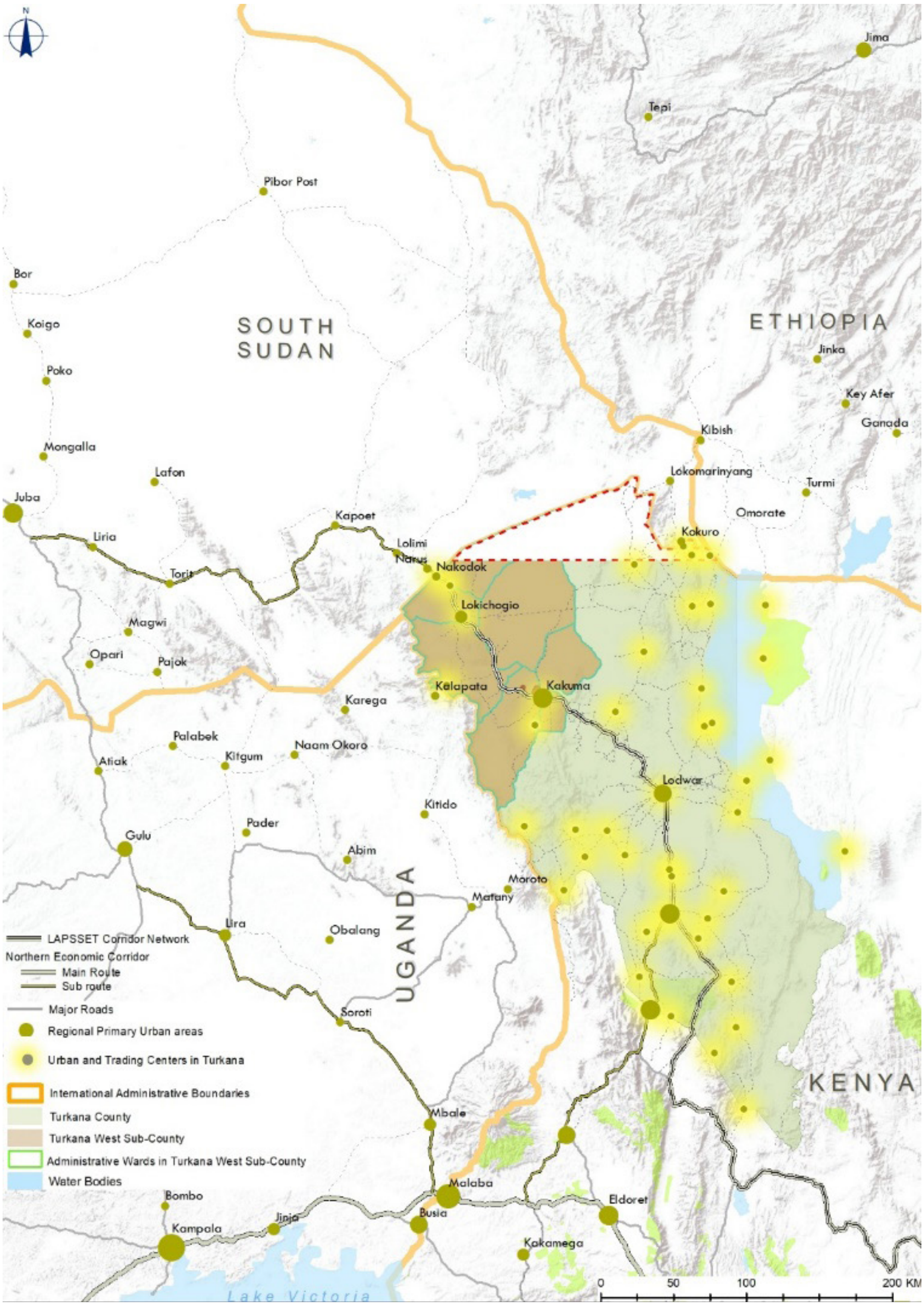
However, this cross-border region is among the least urbanized areas of the respective countries and has poorly developed connectivity infrastructure, especially the road network. The region is mainly occupied by pastoralist communities residing in small towns and market centres. However, cross-border trade and exchange exists between these communities, though it is constrained by inadequate infrastructure connectivity and insecurity issues. For instance, in October 2020 Kenya deployed its army in the Mogilla Ranges of Turkana West to repel an invasion by armed militia from South Sudan (Lutta, 2020).[24] Such incidents have created distrust among the border communities and undermined regional integration in this vital border region. However, efforts to promote peace and cross-border relations between the communities have been scaled up recently. Such initiatives include the Kenya-Uganda Cross-Border Programme implemented through the United Nations Development Programme to promote peaceful co-existence in the Karamoja Cluster.[25]

Within Kenya, Turkana West's regional context is understood in the context of the NOREB region. As indicated earlier, NOREB urban centres are dominated by small towns which are sparsely distributed. As such, Kakuma and Lodwar are important towns as they connect the area to a broader regional system of urban centres. In this broader region, Kitale and Eldoret are the primary urban centres, as they connect to the national system of cities, municipalities and towns, as well as internationally through the Northern Economic Corridor.

24 Lutta, S (2020). Relief in Turkana after KDF secures Kenya-South Sudan border. Online Access (02/01/21): https://nation.africa/kenya/counties/turkana/relief-in-turkana-after-kdf-secures-kenya-south-sudan-border-2727056?view=htmlamp

25 'The region is inhabited by pastoralist communities from the Turkana and Pokot from Kenya, the Karamojong of Uganda, the Toposa from South-Sudan and the Daasanach and the Nyang'atom from south west Ethiopia.' (UNDP, 2019).

Figure 3.1 Regional Context of the Study Activities



Source: UN-Habitat / Turkana West Surveys (2020)

Eldoret is one of the major secondary cities in Kenya, ranking third in population size after Nairobi and Mombasa (KNBS, 2019a). The city, strategically located along the Northern Corridor, is a significant transportation node that links the rich food production zones of the northern Rift Valley with the broader national and regional transportation network. The economies of Nandi, Trans Nzoia and Uasin Gishu Counties are driven by farming (crop, meat, and milk production), with the other NOREB counties of Baringo, Samburu, Turkana and West Pokot dominated mainly by livestock production.

The Regional Economic Context of Turkana West

The largest share of households in Turkana County practice pastoralism. Communities living along the Kerio and Turkwel Rivers practice sedentary pastoralism supplemented by crop farming (Save the Children, 2016).[26] Along the shores of Lake Turkana, numerous households are dependent on fishing. Recent estimates indicate that about 8,000 people are actively involved in fishing in the county's lake settlements that stretch over 200 kilometres from Murgor in the south to Todonyang in the north. The growth of this industry is associated with drought and adaptation mechanisms of the pastoralists (Derbyshire, 2021). [27] The recent oil discovery south of Turkana County has prompted the Kenyan Government to direct the LAPSSET infrastructure investments to link the oil fields and the seaport in Lamu.

This infrastructure will connect the historically marginalised region of northern Kenya with the rest of the country, as well as Eastern Africa through South Sudan and Ethiopia. Some of the proposed LAPSSET projects include a road, pipeline, railway line and urban developments in the form of 'new cities', including the 'Lake Turkana Resort City' valued at USD 42 million (LCDA, 2021).[28] However, it is doubtful whether the ambitious urban development proposals will be realised. According to the LCDA (2021), 'the resort cities would be built by private investors once the government has put in place sufficient infrastructure to facilitate growth.'

Revenues generated from the Turkana oil sales are to be shared between the national (75%) and county governments (20%) and the community (5%). Such revenue sharing formula and consistent transfers could ensure that conflict is mitigated, as the county government and local community can begin to leverage these resources to improve living, social service delivery and general development outcomes (Oxfam, n.d).[29] However, this research did not come across a source that details the viability of the oil economy and its likely impact on local economic transformation. Importantly, there is a need for careful consideration of the county's deprivation and experiences of development interventions in its recent history.

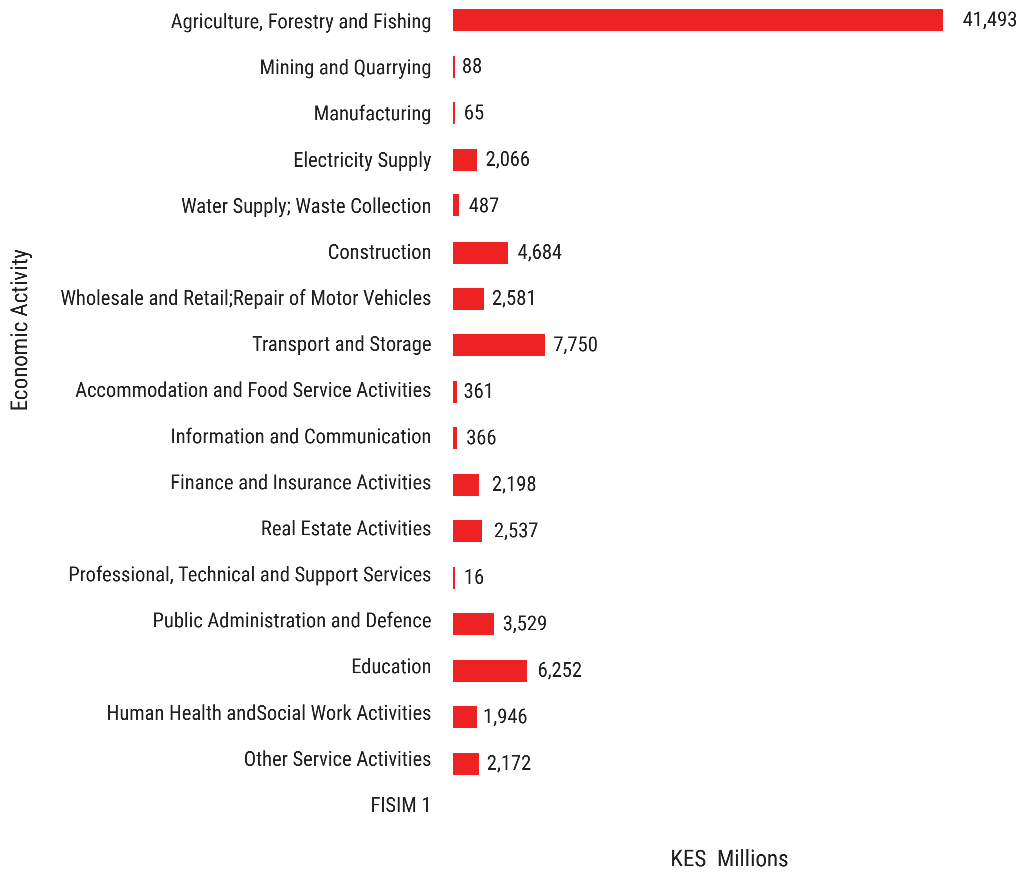
26 Save the Children (2016). Livelihood Profiles Baseline Update: Six Livelihood Zones in Turkana County, Kenya. Online access (21/02/21): https://kenya.savethechildren.net/sites/kenya.savethechildren.net/files/library/Turkana%20HEA%20Baselines%20Report%20December2016.pdf

27 Derbyshire, S (2021). Remembering Turkana. Routledge, London and New York.

28 LCDA (2021). Resort Cities. Online Access (19/02/21): https://www.lapsset.go.ke/projects/resort-cities/

29 Oxfam (n.d). Sub-national Payments in Kenya's Oil Industry. Discussions Paper. Online Access [20/02/2021]: https://cng-cdn.oxfam.org/kenya.oxfam.org/s3fs-public/file_attachments/Sub%20National%20payments%20in%20Kenya's%20oil%20industry-%20Discussion%20Paper.pdf

Figure 3.2 Turkana Gross County Product by Economic Activities, 2017



*Data Source: KNBS (2019b)**

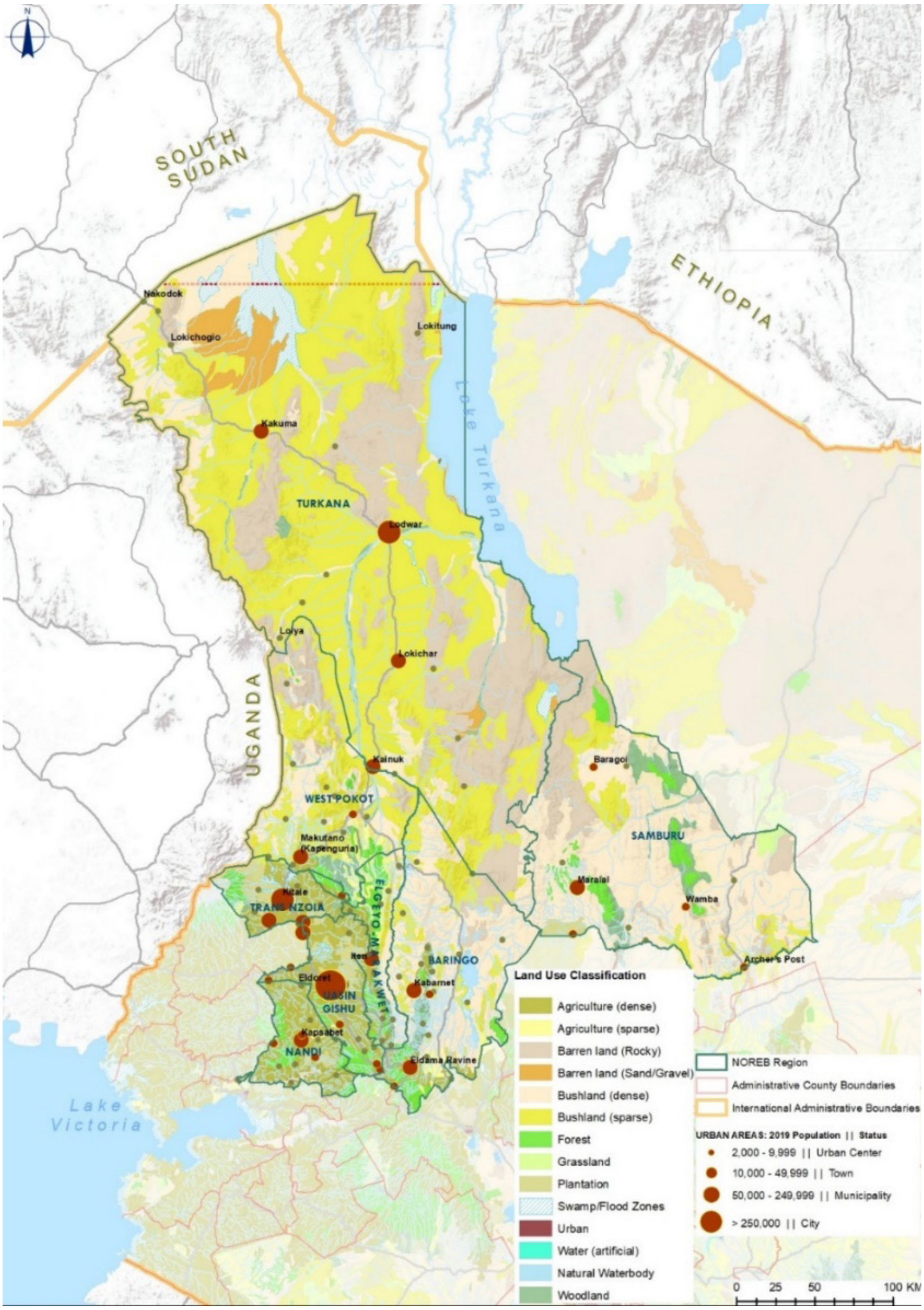
** KNBS (2019b). Gross County Product-GCP 2019. Online Access (22/10/21): https://www.knbs.or.ke/?wpdmpro=-gross-county-product-2019*

The economies of the other counties in the NOREB region are also dominated by agriculture and livestock production. In these counties, urban-based economic activities are interlinked with the rural economy. Specialised urban-based economic activities are primarily concentrated in the major urban centres, which also serve as the county capitals. Analysis reveals that these urban centres have recorded phenomenal population growth in the last ten years, driven mainly by a high influx of rural-urban migrants (primarily youth). For instance, the population of Eldoret grew from 247,500 to 475,716 persons between 2009 and 2019. According to Kenya census data, the population of Lodwar grew from 44,153 to 82,970 persons in the same period (Brinkhoff, 2021).[30]

These major urban centres play a crucial role in regional integration, as they host major businesses and act as important points orienting trade flows, together with the major road networks. The small towns and local centres host public markets where local production is sold to external markets. In Turkana, a study by Oxfam (2006)[31] established that markets in the southern parts of the county are the most integrated. The report says 'Napusimoru and Lokwi [markets] are found in the southern parts, rather well connected to markets such as Lokichar, which is on the main route [A1 road] that links Turkana and the neighbouring districts [now counties].'

30 Brinkhoff, T (2021): City Population, http://www.citypopulation.de
31 Oxfam (2006). Market Functioning in Turkana District, Kenya. Online access (18/02/21): https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8220.pdf

Figure 3.3 Major Urban Centres in the NOREB Region



Source: UN-Habitat / Turkana West Surveys (2020)

Agriculture and Livestock Production

In Turkana County, the NOREB region and most other parts of Northern Kenya, crop agriculture and livestock production are the main economic sectors. In Turkana, the drylands that dominate the county have resulted in the largest proportion of households relying on nomadic pastoralism. In rural areas where settlements are dispersed, small towns and market centres act as important links to livestock markets. However, the poor conditions of the road network in the county compel herders to travel long distances to sell their livestock.

Livestock is held as a form of wealth and has cultural value in Turkana West (Hogg 2003),[32] with most households depending on the livestock economy. Furthermore, the nature of livestock production has influenced land management in the county. Although the land is owned communally through clans, the boundaries are fluid, enabling pastoralists to move across the county with their livestock as part of survival adaptation in a vast dry land where water and pasture are limited. Pastoral migration goes beyond the county and even transcends international boundaries, including cross-border movement to South Sudan, Ethiopia and eastern Uganda (ILRI, 2008)[33] across a region referred to as the Karamoja Cluster.

The future of pastoral livestock production faces significant challenges, although it has previously overcome challenges and demonstrated resilience for centuries (Blench, 2000).[34] The advent of national boundaries, climate change, recurring drought and the spatial marginalisation of pastoralists in present-day governance are fundamental concerns and increase inter-tribal conflicts over resources and livestock (International Livestock Research Institute, 2008). Such conflicts originated in rural areas, but have now found their way into the urban centres located within these pastoral zones. These conflicts are compounded when organizations ineffectively formulate the problems, and thus misdirect the interventions required. It has been noted that food relief mechanisms are the most frequent interventions offered to pastoralists by governments, INGOs and NGOs, yet these have hindered efforts to provide pastoralists with genuine and sustainable alternative livelihoods (ILRI, 2008; Blench, 2000).

Importantly, as livestock remains the primary livelihood means for the Turkana people, the most significant problem facing the sector's productivity is marketing, particularly in the Turkana West area.

In its 2008 study, the International Livestock Research Institute identified the problems associated with livestock marketing as follows:

- ***Livestock keeping is largely subsistence-oriented –*** many households in the county keep livestock primarily for subsistence and not for commercial purposes. Large herds are associated with wealth accumulation and could also signify a lack of alternative investment opportunities. This is attributed to multiple factors, including the spatial-economic marginalisation of the area. Livestock is primarily sold to meet urgent household needs. Instead, there seems to be no deliberate livestock keeping for sale to the markets at planned times for many households.

'The pastoralist way of life is based on sociocultural norms and practices and not the rationality of market-based capitalism; there was little or no cash in traditionally pastoralist societies... When internal and external forces (such as conflict and drought) threaten their livelihoods, they draw upon their significant social capital, and intimate knowledge of their livestock and environment, to redress or at least reduce these threats.'

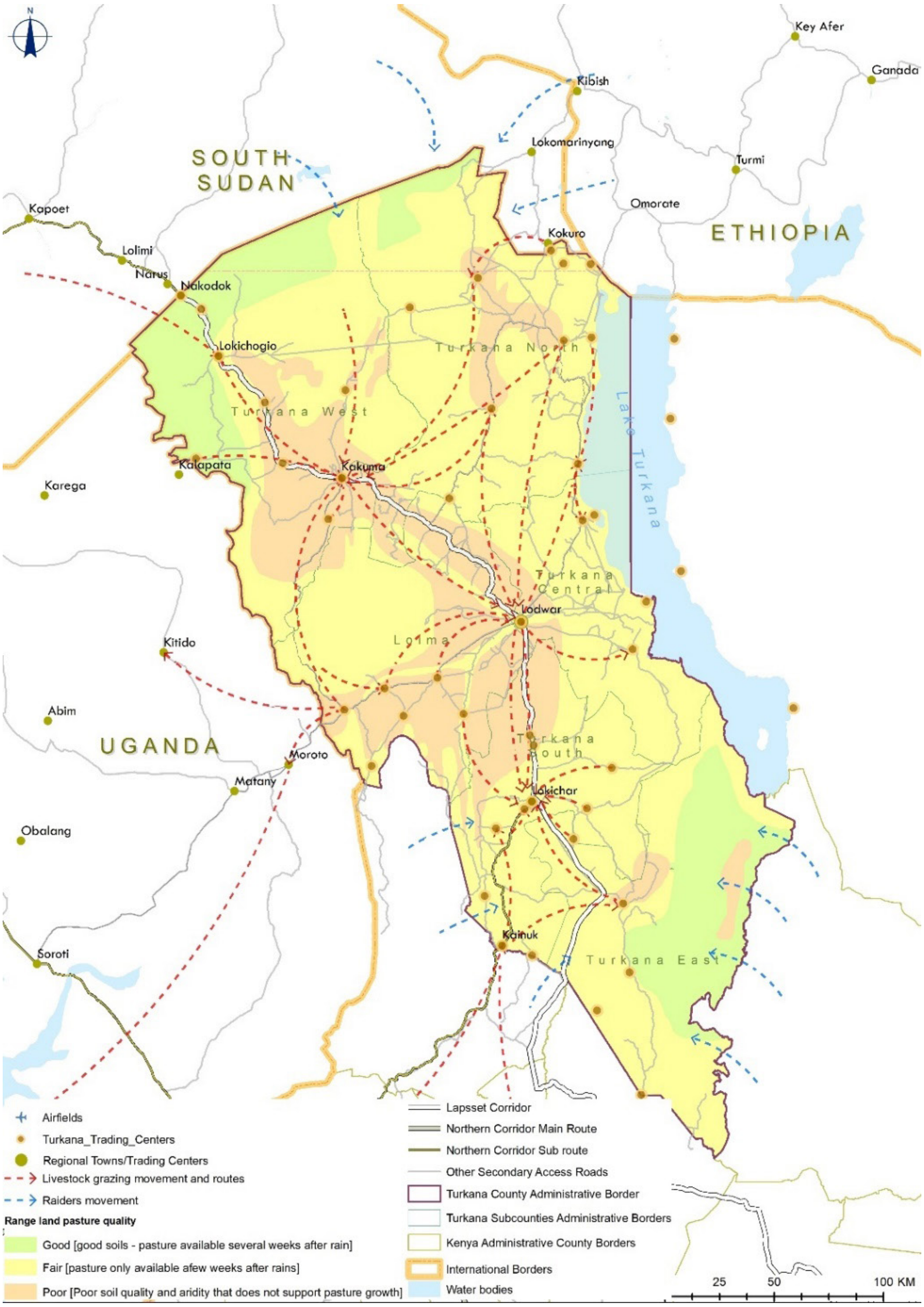
(ILRI,2008)

32 Hogg R. 2003. Drought contingency planning to support pastoralist livelihoods in Ethiopia. Emergency Unit for Ethiopia, UNDP.

33 ILRI (2008). Livestock market access and opportunities in Turkana, Kenya.

34 Blench R. 2000. Extensive pastoral livestock systems: Issues and options for the future. GCP/JPN/005/ JPN. FAO (Food and Agriculture Organization of the United Nations), Rome, Italy.

Figure 3.4 Spatial Relation between Livestock Marketing and Small Towns in Turkana



Source: UN-Habitat / Turkana West Surveys (2020) (Reproduced from Oxfam / UN-Habitat / CGT)

- ***Inadequate or lack of market infrastructure –*** Turkana County is one of the least developed counties in terms of infrastructure coverage. Vital infrastructure such as livestock sale yards, meat products processing facilities, a clean water supply, roads, and electricity are highly inadequate or lacking in most parts of the county. This is a result of decades of marginalisation. For example, aside from the county's major road (the A1 international trunk road), road conditions have been neglected, which hinders transportation, or makes it excessively costly and risky. This has begun to change with the reconstruction of the Lodwar-Nakodok section of the A1.

  The WFP further notes that, 'most of the markets in the arid lands are weakly integrated both amongst themselves and with the main supply markets in Kenya' (WFP, 2016, p.30). [35] The situation is mainly associated with poorly developed infrastructure in those regions, particularly transportation infrastructure. For decades, this has left most small towns in the region functionally disconnected from the wider market networks. These towns are crucial as they provide the arrival markets for agriculture and livestock, before these goods are transported to other markets.

  The main livestock markets are in Lodwar, Lorugum, Lokichar, Kerio and Kakuma. External traders visit these places to buy livestock for later transportation to Nairobi (ITDG, 2005,36 cited in ILRI, 2008).

- ***High transaction costs and structural problems –*** The poor connectivity of Turkana to the rest of the region and country has resulted in the underperformance of its main economic activity – livestock. High transportation costs associated with access to major markets like Nairobi undermine the competitiveness of the county's livestock produce. One study referred to reports from pastoralists, who said 'their livestock often trek long distances to markets. Indeed, pastoralists from Lorugum stated that they still trekked livestock to Kakuma, Lokichoggio or even Kitale. They explained that they had no money to hire transportation' (ILRI,2008). Furthermore, insecurity remains a primary problem in parts of the county, and this also affects livestock marketing. Other transaction costs affecting the marketing system include high statutory fees, lack of information and reliance on 'cartel-controlled' marketing systems, i.e. 'trader cartels' and market brokers. Corruption also plays a part, in that transporters must sometimes factor in bribes for officers operating road checkpoints. This is compounded by weak trader associations who have little capacity to access credit and invest in their marketing systems, and are compelled to cope with 'cartel'-dictated prices.

'The demand for meat principally arises in the major towns; it is here that the livestock sold by pastoralists in need of cash finds its way. Only a very small portion of the livestock trade in Turkana is exported outside the district.'

(ILRI,2008)

35 WFP (2016). Comprehensive Food Security and Vulnerability Analysis (CFSVA) Kenya 2016. Online access (20/02/21): https://reliefweb.int/sites/reliefweb.int/files/resources/wfp285586_b_0.pdf

36 ITDG (Intermediate Technology Development Group). 2005. Livestock market access initiative: Preassessment and feasibility analysis, North East Turkana. Intermediate Technology Development Group—East Africa, Nairobi, Kenya.

The LAPSSET and ongoing construction of the A1 Road is anticipated to significantly reduce connectivity barriers, opening up the county to increased access to external markets. However, even with improved road connectivity the other transaction costs must be addressed to realise a functional livestock market for the pastoralists in Turkana County.

- ***Financial challenges, including challenges in accessing credit and financial services* –** Formal financial services are difficult to access for many households. However, there is an increasing presence of banks, microfinance and SACCO businesses in the county, largely concentrated in the major towns.
- ***Other challenges* –** including low prices at local markets and political challenges.

Geographical Advantages for Cross-Border Trade

Geography and spatial connectivity play a crucial role in shaping socio-economic development in Turkana. In addition to the regional context of NOREB and Kenya, the county neighbours three countries: Ethiopia, Uganda and South Sudan.

This presents opportunities for cross-border trade and other socio-economic exchanges. While Turkana West shares a land border with South Sudan and Uganda, and has established a trade route to Ethiopia through Kibish, several barriers still hinder the optimum development of cross-border trade. Insecurity, conflicts and poorly developed infrastructure rank high as development challenges in this area, as well as across the wider Karamoja Cluster (Derbyshire, 2020).

> 'I own trucks for transporting goods from Uganda and Nairobi, but I go to Uganda more than Nairobi after noticing that certain products like clothes and some household items are cheaper in Uganda than in Nairobi. The cost of transport to Moroto is also lower than going to Nairobi... the regional trade has been slow over the years as some sections of the routes were prone to banditry attacks, with traders waylaid while ferrying goods. Most of the local traders preferred longer routes to Uganda, such as through Kitale, to avoid losses from highway thieves.'
>
> ***(KII with a trader in Kakuma town)***

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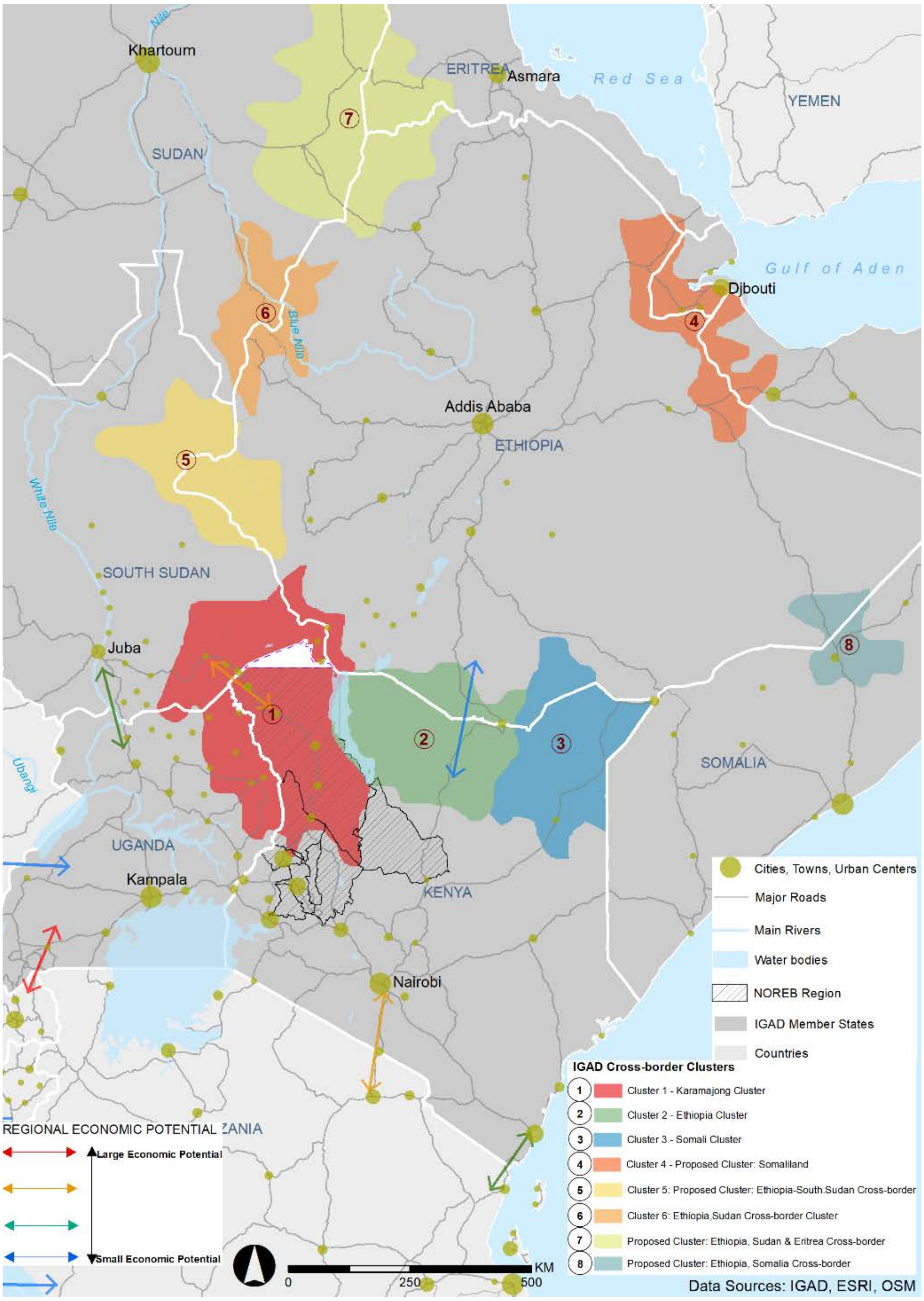
Figure 3.5 Economic Potential of Border Crossings



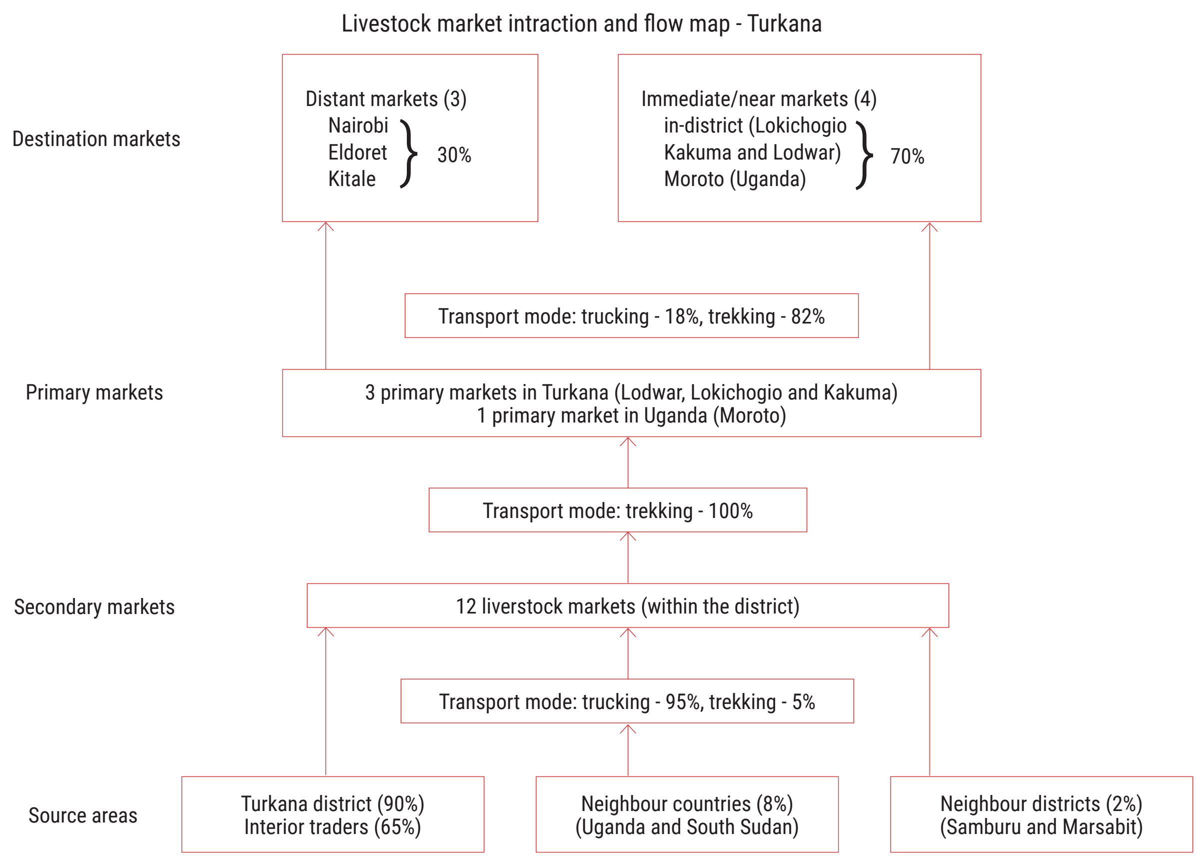
Reproduced Map: UN-Habitat / Turkana West Surveys (2020)

Infrastructure and Regional Connectivity

As noted in the analysis of the regional economic context, increased investments in infrastructure that promote regional integration and connectivity will enhance and accelerate the local economic development of Turkana West and the wider county. The poorly integrated state of the livestock market system exposes the need for enhanced regional connectivity, as access to prime market in major urban centres outside Turkana County is limited by poor transportation. These distant markets include Nairobi, and other major urban centres in the Northern Corridor (such as Nakuru and Kisumu), NOREB, (such as Kitale and Eldoret), as well as in western Kenya. These markets are associated with higher prices and can increase returns to local producers and businesses if combined with other market interventions.

> ‘Turkana is an important livestock production district, but one which is inhibited by distance from the terminal markets and poor transportation network… only a tiny portion of the livestock from Turkana is exported. Less than 20% of livestock from the district is destined for Nairobi. Consumer markets include Kitale and Eldoret, while internal markets such as Kakuma, Lokichoggio and Lodwar are important terminal destinations… Livestock from Turkana destined for Nairobi mainly originate from Lodwar, Lokichoggio and Kakuma.’
>
> ***(ILRI, 2008)***

Figure 3.6 Livestock Market System



Source: ILRI (2008)

Besides livestock, other economic sub-sectors in the county face a similar challenge. For example, retailers in Turkana West usually experience transportation challenges when sourcing goods, whether from Uganda or Kenya's major towns, such as Eldoret and Nairobi.

Functional infrastructure, especially mobility and ICT infrastructure, is a major determinant of connectivity and market integration in Turkana. However, years of marginalisation has led to a lack of, or under-investment in local infrastructure and services, thereby compounding the socio-economic challenges present in Turkana County. In this sense, the population is 'cut-off' from the rest of the region and country. However, recent policy changes may increase interventions in Turkana West, specifically the devolution of the County Government of Turkana, which can now invest in local connectivity. At a national level, the *National Policy for the Sustainable Development of Northern Kenya and Other Arid Lands* (Republic of Kenya, 2012) [37] provides a framework for interventions targeting northern Kenya. This combination of county and national government interventions has the potential to strengthen economic growth and accelerate development in this region.

This study identifies three major infrastructure investments that are crucial to improving the connectivity and integration of Turkana West with the wider regional economic corridor:

- The LAPSSET Corridor
- Northern Corridor – the A1 Road, connecting Kenya to South Sudan through Turkana West
- Local Infrastructure Networks

The LAPSSET Corridor

LAPSSET is a mega-project focused on delivering strategic infrastructure, including a road, railway, oil pipeline, port and several new cities (see Box 3.2). This infrastructure will connect Lamu seaport in Kenya with South Sudan and Ethiopia. Within Kenya, the corridor traverses nine counties: Baringo, Garissa, Laikipia, Lamu, Isiolo, Marsabit, Meru, Samburu and Turkana. Turkana County is critical to the oil-based economy targeted by LAPSSET, following the discovery of oil deposits in the Lokichar area (southern Turkana County), and because of its position as Kenya's frontier zone with South Sudan, given LAPSSET aims to connect the regional economy of Ethiopia, Kenya and South Sudan.

Box 3.1 Progress of Various LAPSSET Projects in Kenya

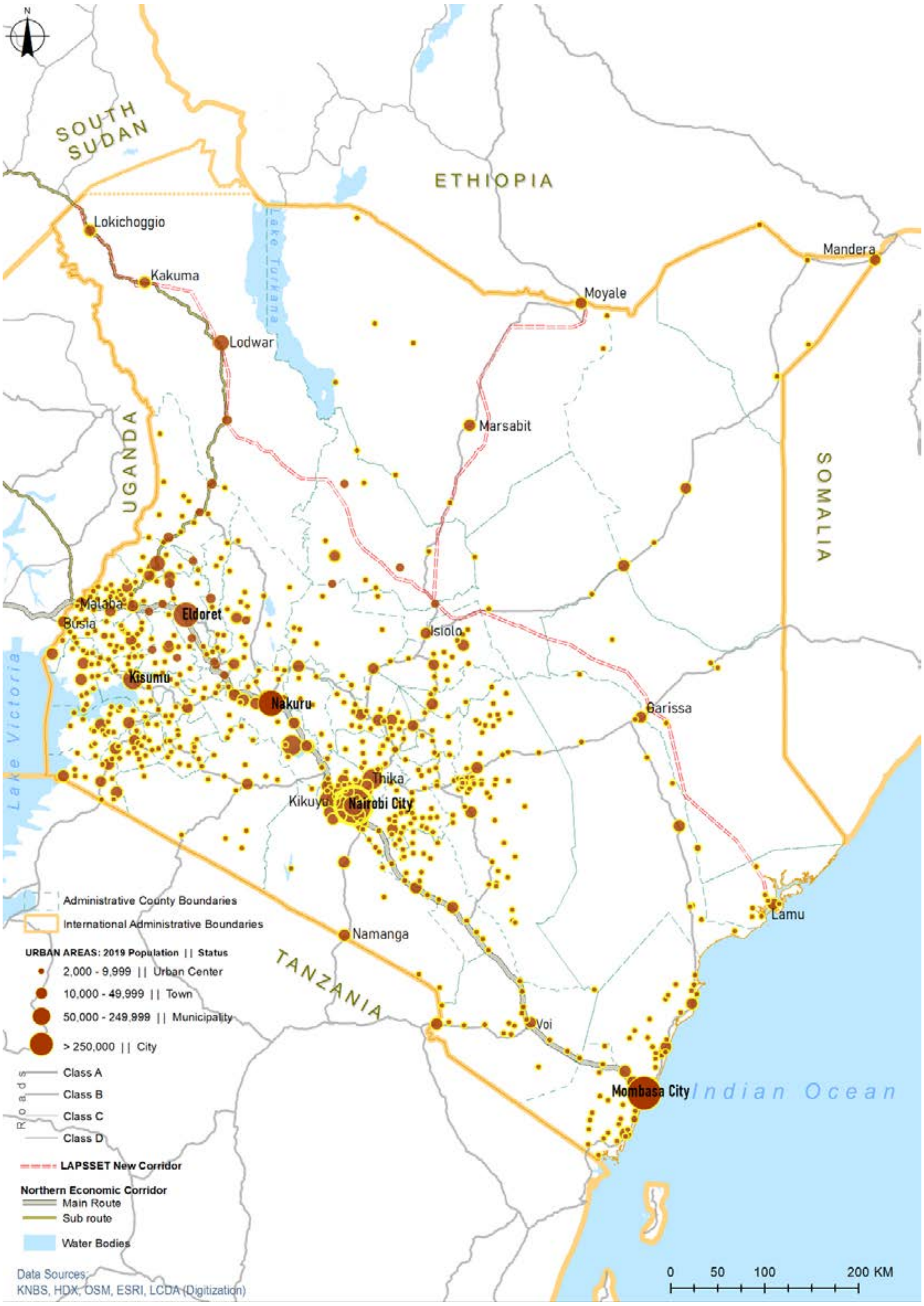
Progress of Various LAPSSET Projects in Kenya

1. The Isiolo – Marsabit – Moyale (505km) section is 100% complete while the 338 km section between Lokichar – Lodwar – Nakodok is under construction (5 Lots) and is expected to be complete by end of 2021.
2. The Isiolo – Lokichar 368km section final detailed engineering designs and ESIA have been completed.
3. Operationalization of Lamu Port is underway, in compliance with the International Maritime Organization's set of security measures for Ships and Ports (ISPS code), and Marine Pollution Conventions."

Source: LCDA (2021) https://www.lapsset.go.ke/

37 Republic of Kenya (2012). National Policy for the Sustainable Development of Northern Kenya and other Arid Lands. Online Access (04/03/21): https://reliefweb.int/sites/reliefweb.int/files/resources/Sessional%20Paper%20on%20National%20Policy%20for%20Development%20of%20ASALs.pdf

Figure 3.7 LAPSSET Corridor



UN-Habitat / Turkana West Surveys (2020)

The completion of the trunk infrastructure, particularly its transportation elements, is anticipated to stimulate economic growth and establish a second economic corridor in the Eastern Africa region, in addition to the Northern Corridor. However, mega infrastructure projects around the world have had mixed results, with well-documented cases of both economic transformation and net negative impacts. According to Bent (2014), [38] projects of this scale are usually associated with high risks, multiple and often conflicting interests, slow implementation and changing project scope, rent-seeking behaviours, and overall complexity beyond the expertise of existing implementing agencies. Therefore, economic success associated with LAPSSET will depend on how the mega-project's planning and implementation integrate with local communities and economies as it strives for transcontinental connectivity. Part of this is the integration of local pastoral economy, and other investments that promote local economic development, and efforts to promote sustainable urbanization along the corridor. Such efforts include spatial planning for strategic investments as promoted by this project through the Kalobeyei Economic Enterprise Zone planning. Yet, the planning of projects of this scale is often top-down, driven by high-level modernist aspirations of opening 'new frontiers' for economic development, with little contribution from affected communities. In the case of LAPSSET, communities have found ways of aligning or challenging elements of the megaproject (Aalders et al, 2021), [39] such as the resistance to the port project in Lamu (Kabukuru, 2016). In Turkana County, settlements have been established in Lokichar as locals try to access economic opportunities linked to oil activities.

But economic opportunities for locals are at the bottom of the value chain since well-paying opportunities are more likely to benefit skilled workers and businesses with higher capacities than those found in the local community. Indeed, the poor socio-economic indicators in the ASAL regions that LAPSSET traverses suggest that many skilled jobs and business opportunities linked to LAPSSET will likely bypass the local communities, especially during short-term implementation phases (Kabukuru, 2016). If local communities are to leverage these opportunities, support and interventions will be required. This may necessitate LAPSSET introducing new elements to projects that had not previously been planned or anticipated. According to Aalders et al (2021, p.7), 'one of the challenges facing the LAPSSET Development Authority (LCDA) are alignments that are successful and consolidate not only the elements of the corridor that are mentioned in information brochures and official planning documents but also additional features that break in and get entangled into the megaproject.'

The road transport infrastructure will likely be completed in the coming years, and is poised to significantly improve the connectivity of the urban centres along this corridor. These urban centres include Kakuma, Kalobeyei and Lokichoggio in Turkana West, and Lodwar and Lokichar in Turkana County. However, uncertainties remain regarding the full implementation of the project as it was initially envisioned. Since its launch in 2008, project implementation has been slow, casting doubt on its full and timely completion amid rising debt risk in Kenya (Okoth, 2020), [40] and the continued political instability in South Sudan.

38 Bent, F (2014). What You Should Know About Megaprojects and Why: An Overview. Project Management Journal. 45. 10.1002/pmj.21409.

39 Aalders, J; Bachmann, J; Knutsson, P; Kilaka, B (2021). The Making and Unmaking of a Megaproject: Contesting Temporalities along the LAPSSET Corridor in Kenya. Antipode Vol. 0 No. 0 2021 ISSN 0066-4812, pp. 1–21

40 Okoth, J (2020). IMF Raises Kenya's Risk of Debt Distress to High from Moderate.
Online access (07/03/21): https://kenyanwallstreet.com/imf-raises-kenyas-risk-of-debt-distress-to-high-from-moderate/

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In June 2020, Tullow Oil – the company undertaking oil drilling activities in Lokichar – conducted an oil export pilot programme, before suspended its export programme altogether (Burkhardt and Herbling, 2020).[41] The pilot export programme involved trucking oil from Lokichar to the Port of Mombasa, as the proposed pipeline between Lokichar and Lamu has not yet been constructed. Tullow Oil cited bad weather and poor road conditions as the reason for halting its trucks (Energy Voice, 2020), [42] while the commercial viability of crude-oil trucking has also been questioned (Anderson and Mbugua, 2018). [43] Although the company's license for its operations in Kenya has been extended (Tullow Oil, 2020), [44] it is still uncertain when oil revenues will be realised, and what its economic impact on the local Turkana economy will be. Furthermore, at a global level there are increasing calls for a shift away from non-renewable energy sources, like fossil fuels, to renewable energy sources, following the ratification of the COP 21 Paris Agreement and the Sustainable Development Goals.

These shifts aim to diminish global reliance on fossil fuels in the future. Indeed, despite Kenya's oil and gas ambitions, the country has significant investments in renewable energy such as hydro-power, geothermal solar and wind power (including the Lake Turkana Wind Power Project).

Integrating LAPSSET and the Northern Economic Corridor

Another crucial piece of infrastructure for connectivity in Turkana County is the A1 Road linking the county with the Northern Economic Corridor (NEC). The section through Turkana becomes part of the transportation infrastructure of LAPSSET. The initial infrastructure of NEC developed during colonial times. This multimodal trade corridor links the Great Lakes Region (Burundi, Democratic Republic of Congo, Kenya, Rwanda, Uganda and South Sudan) with Kenya's seaport at Mombasa.

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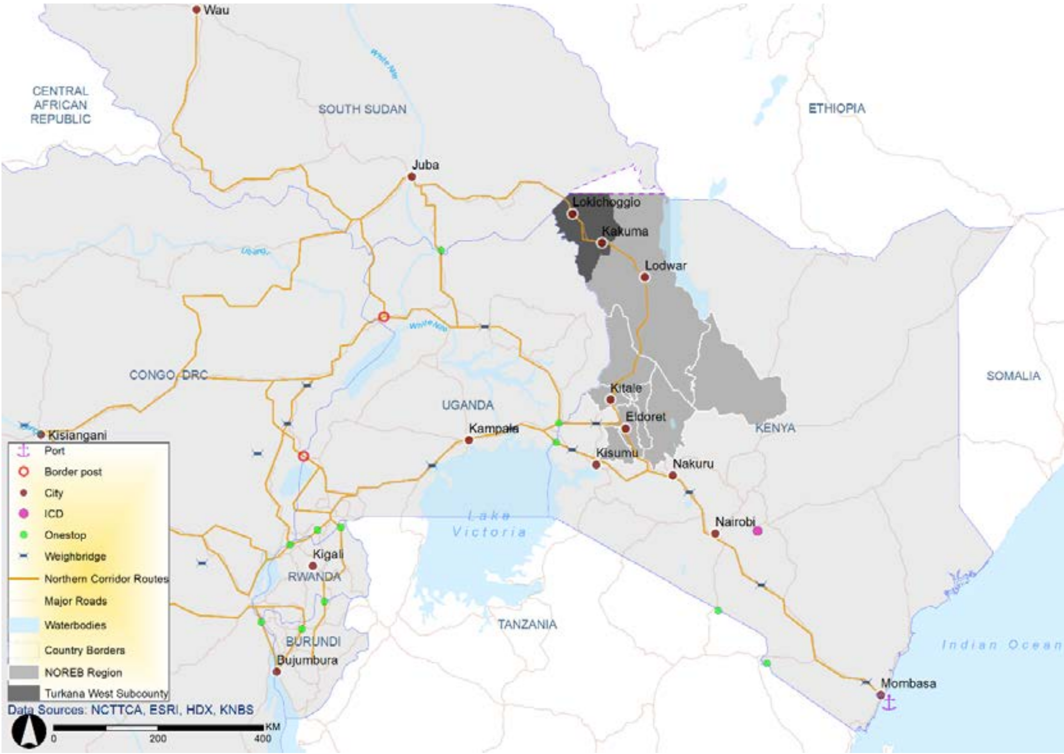
41 Burkhardt, P and Herbling, D (2020). Tullow Oil suspends Kenyan oil-export program. Online Access (05/03/21): https://www.worldoil.com/news/2020/6/3/tullow-oil-suspends-kenyan-oil-export-program

42 Energy Voice (2020). Tullow shutters Kenya export business. Online business (04/03/21): https://www.theafricareport.com/715/oil-and-gas-kenyas-pipe-dream/ https://www.energyvoice.com/oilandgas/africa/252020/kenya-tullow-truck-export/

43 Anderson, M and Mbugua, S (2018). Oil and gas: Kenya's pipe dream. Online Access (04/03/21):

44 Tullow Oil (2020). Tullow receives licence extensions in Kenya. Online Access (11/03/2021): https://www.tullowoil.com/media/press-releases/tullow-receives-licence-extensions-kenya/

Figure 3.8 **Northern Corridor Transit and Transportation**

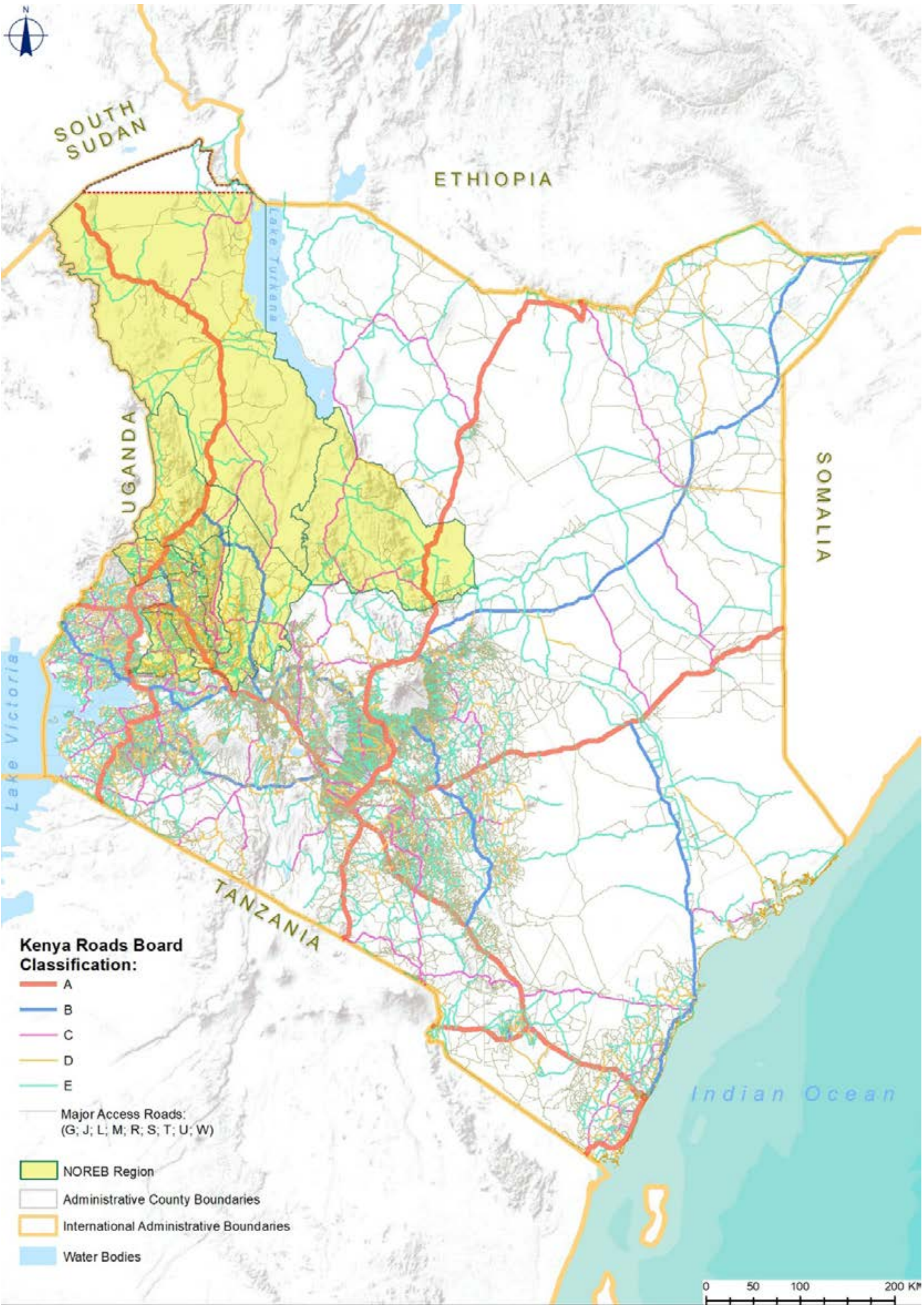


Reproduced Map: UN-Habitat / Turkana West Surveys (2020).

While the road infrastructure network in Kenya is most developed along the Northern Corridor axis, the northern parts of Kenya are poorly linked to it. As stated above, although the A1 international trunk road passes through Turkana County, the road's poor condition has hindered mobility and trade flows along this section of the road. These challenges have been compounded by perennial insecurity along the route. More recently in April 2021, Kenyan transporters hard boycotted transporting cargo to South Sudan citing insecurity problems along the Yei-Juba route (The East African, 2021).[45]

45 The East African (2021). Kenyan transporters suspend ferrying cargo to S. Sudan over insecurity. Online access (07/1021): https://www.theeastafrican.co.ke/tea/business/kenyan-transporters-south-sudan-cargo-3350798

Figure 3.9 Categorized Road Network of Kenya

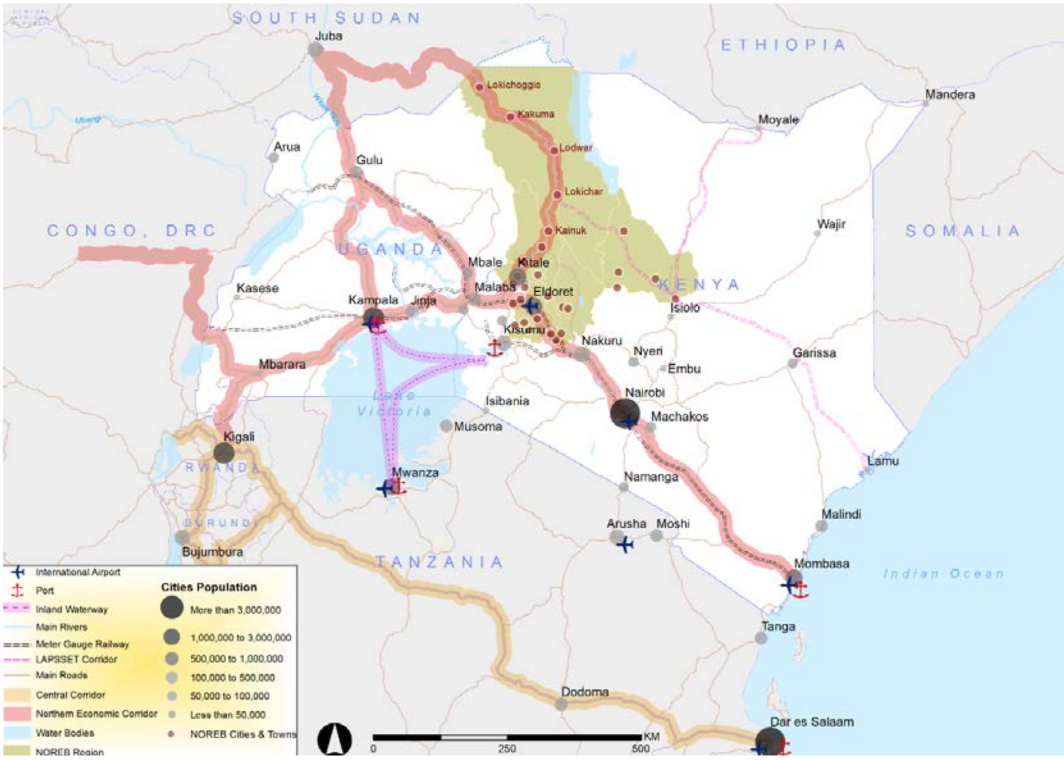


Map Drawn by UN-Habitat / Turkana West Surveys (2020)

When completed, sections of the LAPSSET transit network will feed into the Northern Corridor, which will boost Turkana County's regional integration. The South Sudan-East Africa Regional Transport, Trade and Development Facilitation Project (Government of Kenya, n.d) [46] has sought to improve the condition the A1 Road and will soon complete sections of the road from Loichangamatak to Nadapal/Nakodok, passing through Lodwar and Turkana West. Road repairs have also been undertaken from Lesseru to Kitale (56km), and Morpus to Lokichar (110km), resulting in a 50% reduction of travel time along the 300km stretch between Kitale and Lodwar, saving road users a full day of travel (World Bank, 2019). [47]

In August 2020, a World Bank study noted that the completed sections of the road have reduced travel time for private cars. Travelling by car from Lokichar to Lodwar now takes 3 hours, Lodwar to Lokichoggio takes 3 hours, and Lokichoggio to Nakodok takes 1 hour (World Bank, 2020).[48] Overall, completing these projects will not only significantly improve connectivity within Turkana County, but also between the Northern Economic Corridor and Juba in South Sudan through Turkana County. This will strengthen the position of Eldoret, the largest urban centre in the NOREB region, as a major transit hub.

Figure 3.10 **Connectivity to Northern Economic Corridor**



Reproduced Map: UN-Habitat / Turkana West Surveys (2020).

46 Government of Kenya (n.d). Social Assessment of Lesseru-Marich pass-Lodwar-Nakodok A1 Road.

47 World Bank (2019). EA Regional Transport , Trade and Development Facilitation Project (Second Phase of Program): Implementation Status & Results Report. Online Access (04/03/21): http://documents1.worldbank.org/curated/en/898541565442251581/text/Disclosable-Version-of-the-ISR-EA-Regional-Transport-Trade-and-Development-Facilitation-Project-Second-Phase-of-Program-P148853-Sequence-No-08.txt

48 World Bank (2020). EA Regional Transport , Trade and Development Facilitation Project (Second Phase of Program) (P148853): Implementation Status & Results Report. Online access (03/02/21): http://documents1.worldbank.org/curated/en/748281597598571095/pdf/Disclosable-Version-of-the-ISR-EA-Regional-Transport-Trade-and-Development-Facilitation-Project-Second-Phase-of-Program-P148853-Sequence-No-10.pdf

As connectivity improves, social and economic flows will likely increase in the region, including:

- Increased migration between South Sudan and Kenya, particularly increased in-migration to major urban centres in the NOREB region, including Kakuma-Kalobeyei in Turkana West. A properly paved road will lead to improved public transport, potentially attracting an influx of migrants due to perceived opportunities in the area. Travel between the refugee hosting areas of Kakuma-Kalobeyei and South Sudan will improve. These forms of migration will stand in contrast to the forced displacement that has characterised migration in this region in the past.
- Increased trade flows between northern Tanzania and western Kenya (Kisumu-Kitale). This can potentially increase market access for Turkana's livestock sector and the fishing industry.

NOREB may also come to play a significant international role, both politically and economically, due to the fact that its counties share a border with Ethiopia, Uganda and South Sudan. The improved road connectivity will also place NOREB along an important corridor that connects the Northern Corridor to northern Tanzania, through western and north-western Kenya, to link with Ethiopia and South Sudan. An A1 Road runs along the Rift Valley from Isebania on the Tanzania-Kenya border, through to Mukuyu, Kisumu, Kakamega, Kitale, Lodwar, Lokichogio and eventually to Nadapal on the South Sudan Border (KeNHA, 2014).[49] This connecting infrastructure presents NOREB with the opportunity to integrate with the East Africa Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA).

Air Transportation and Connectivity

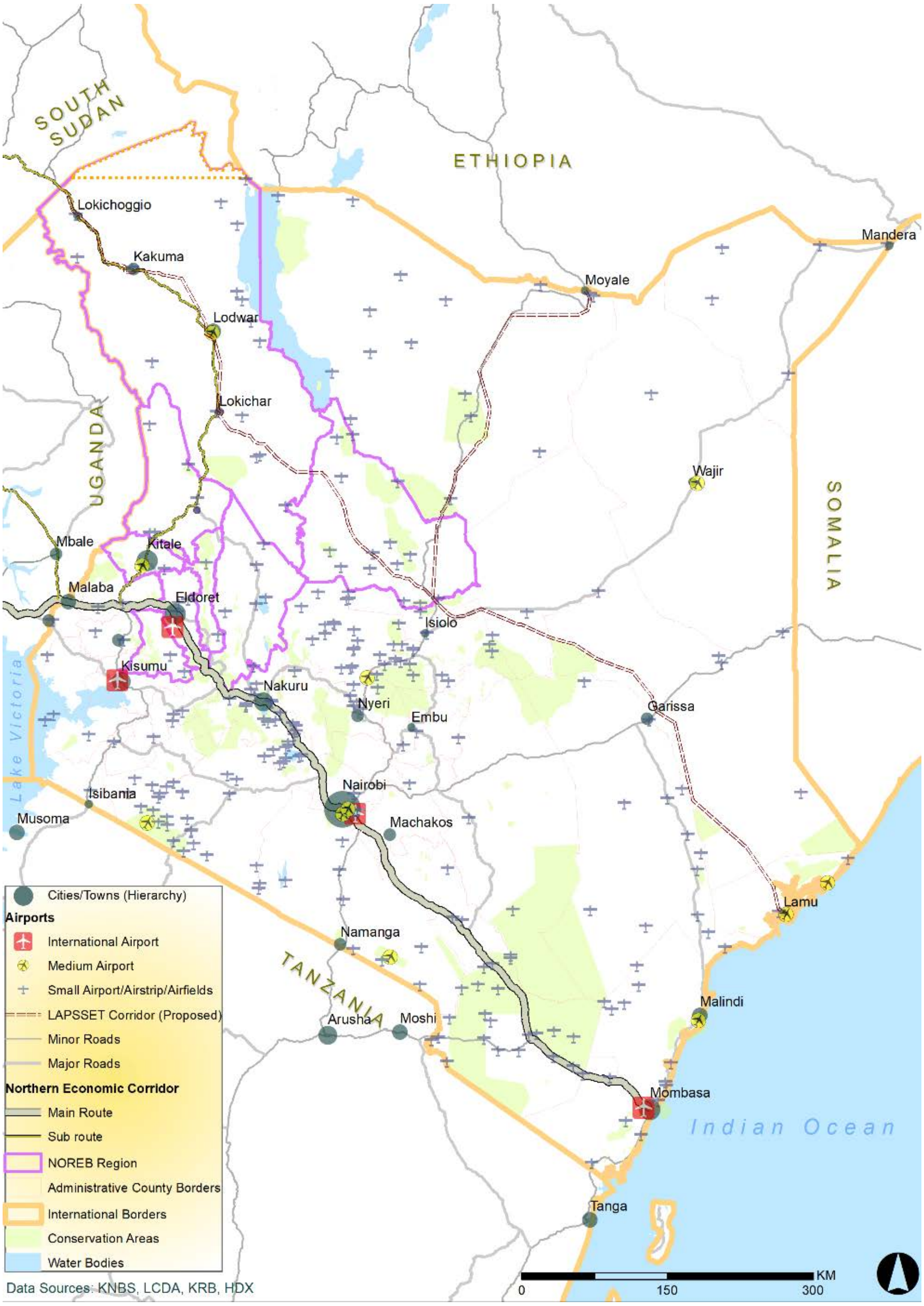
The growing air connectivity in the NOREB region complements the road connectivity mainly due to its remoteness, with some areas 'cut-off' from the road network. The region's major urban centres, such as Lodwar, are heavily reliant on-air transport. Eldoret's Moi International Airport and the Kisumu International Airport provide vital air connectivity both nationally and internationally. Other airstrips in the region also improve connectivity, including the three active airstrips in Turkana County located in Lodwar, Kapese (oil fields) and Kakuma (refugee settlements area). However, the impact of these air transport infrastructures on the local economy needs further analysis. In Turkana County, significant air traffic is linked to the activities of international organizations carrying out humanitarian and development work in the county, as well as government agencies.

The Challenge of Basic Services

In addition to connectivity and spatial-economic integration challenges, Turkana County and Kenya's ASAL regions in general, are constrained by poorly developed infrastructure and low coverage of basic services in both rural and urban settlements. Consequently, ASAL regions display some of the lowest indicators of socio-economic conditions in Kenya, significantly undermining local economic development. Turkana County is among the lowest of these, though access levels to basic services varies across rural and urban settlements. Several factors contribute to this low standing, including decades of marginalisation, underdevelopment of infrastructure, and dispersed settlements that sometimes hinder conventional infrastructure provision.

49 KeNHA (2014). Environmental and Social Impact Assessment (ESIA) of the Proposed Upgrading of Lodwar-Nakodok Road. Online access (03/02/21): https://documents1.worldbank.org/curated/en/224531468200340716/pdf/E43480V40AFR0E-00Box385438B00PUBLIC0.pdf

Figure 3.11 Map of Airports in Kenya



Map Drawn by UN-Habitat / Turkana West Surveys (2020)

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Poor urban management has also contributed to the prevailing poor indicators in the county's towns. To promote local economic development, the county must prioritize the provision of adequate basic services through its settlement management functions, especially water and sanitation, mobility, and energy services. As demonstrated later in the survey findings, the inadequacy of these services negatively impacts businesses and hinders various aspects of economic productivity.

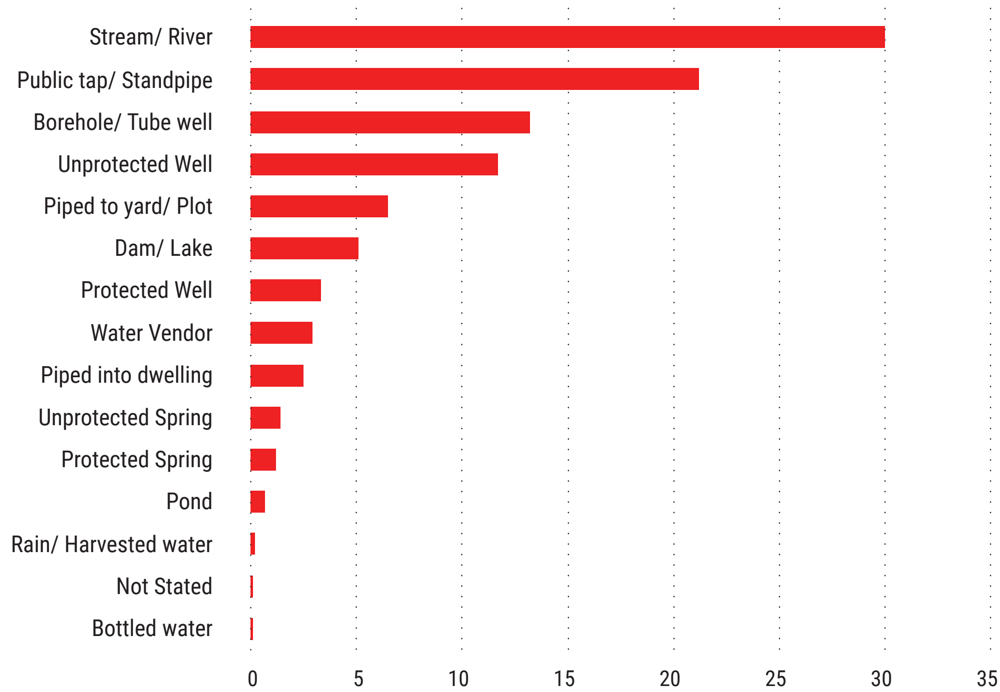
Water and Sanitation Challenges

The arid conditions in Turkana County complicate access to clean potable water. The county's urban and rural settlements suffer from inadequate water supply and regularly face drought. The largest settlements of Lodwar and Kakuma are no exception. For example, Kakuma depends on unreliable borehole groundwater and surface water (SFD, 2018) despite the decades of humanitarian and development programming in the area. According to Water Services Regulatory Board (WASREB, 2020), [50] Lodwar Water and Sewerage Company has a coverage of 59% and non-revenue water (water supply not accounted for) of 38%. In Kakuma, there is no public water utility, with water services provided by small scale operators such as community organizations or NGOs.

Water resources are scarce and underdeveloped at a county and regional level, and are a source of conflict in border areas, especially between the Turkana and Pokot communities (Shalom-SCCRR, 2020). Overall, many households and business experience a shortage of water. The absence of a reliable water system also results in high costs when running businesses or is considered a discouraging factor for potential investors. This is reflected in the findings of this report in the context of Kakuma-Kalobeyei. As numbers continue to increase among the refugee and the host community populations in Kakuma-Kalobeyei, while Lodwar continues to rapidly urbanize, continued inaction and piecemeal interventions regarding water provision will fundamentally compromise development in Turkana County.

50 WASREB (2020). Impact: A Performance Report of Kenya's Water Services Sector - 2018/19. Online access (11/03/21): https://wasreb.go.ke/downloads/WASREB_Impact_Report12.pdf

Figure 3.12 Main Source of Drinking Water in Turkana County



*Data Source: KNBS (2019c)**

** KNBS (2019c). 2019 Kenya Population and Housing Census: Volume IV. Nairobi, Kenya National Bureau of Statistics. Distribution of Population by Socio-Economic Characteristics. Online access (16/02/2021): https://www.knbs.or.ke/?wpdm-pro=2019-kenya-population-and-housing-census-volume-iv-distribution-of-population-by-socio-economic-characteristics*

However, despite the arid conditions and erratic rainfall, Turkana county's water resources can serve the community and their enterprises (JICA, 2015). [51] In northern parts of Turkana County, exploration has identified several shallow aquifers and five (5) large deep reserves (CGT, 2018). [52] Appropriate investments are required for these resources to benefit households and economic activities.

'In Kakuma camp, business owners paid heftily for electricity; small businesses without a fridge pay KES 2,500 per month, while those with an operating a fridge pay KES 5,000 per month.'

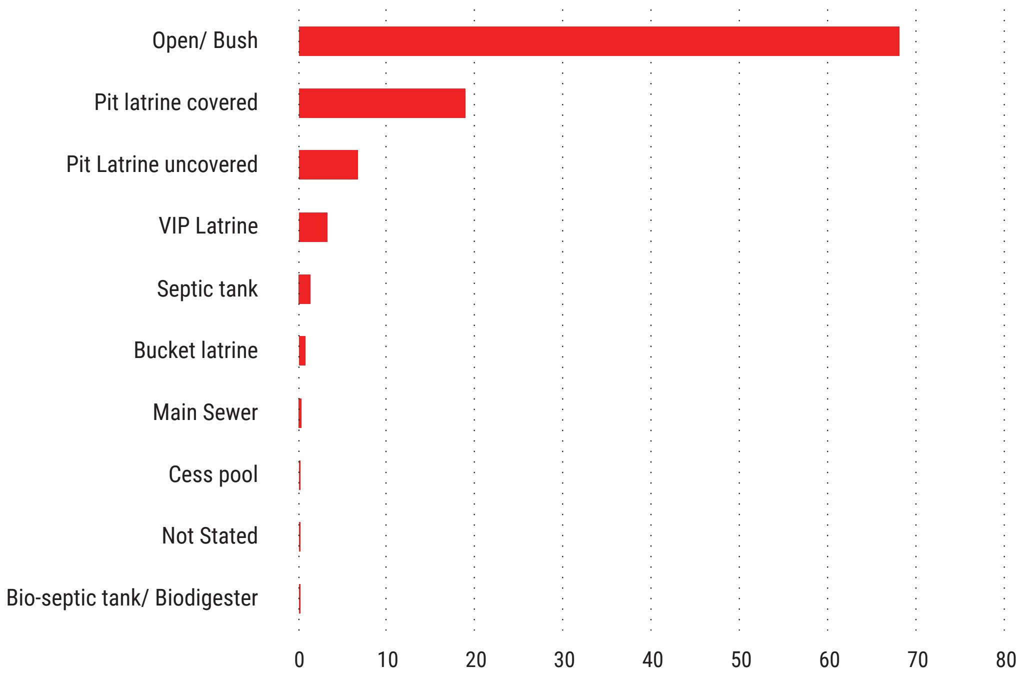
(FGD, Kakuma Business Community)

The lack of appropriate sanitation creates similar challenges. The majority of households in Turkana dispose of faecal waste through open defecation (or 'bush method'). While this is less prevalent in main towns, the available alternative methods are not sustainable either. The towns lack a coordinated and effective sanitation system, instead relying on pit latrines, where prolonged use is threatened by increasing densities. The possibility of decentralised sewerage systems (i.e. septic tanks and bio-digesters) is also limited due to water scarcity, and is also unsustainable in the context of increasing land fragmentation and densities.

51 JICA (2012). The project for enhancing community resilience against drought in northern Kenya: Annex E- water potential study in Turkana county. Online Access (19/2/21): https://openjicareport.jica.go.jp/pdf/12246914.pdf

52 CGT (2018). The Turkana County Water and Sewerage Services Sector Policy, 2018. Online Access (11/03/21): https://turkana.go.ke/wp-content/uploads/2018/03/Turkana-County-Water-and-Sewarage-Services-Sector-Policy-2016-Final_23022018.pdf

Figure 3.13 Main Faecal Waste Disposal Methods in Turkana County



Data source: KNBS (2019c)

The provision of reliable and sustainable water and sanitation systems is fundamental to advancing socio-economic development, not only in Turkana West but the entire county.

Energy

Turkana County also requires critical electricity infrastructure. The level of electricity coverage by the primary grid is very low in the county. Most households and businesses depend on micro-systems that are inadequate to meet all their energy needs.

Electricity from Kenya Power and Lighting Company (KPLC) is available in the major towns of Lodwar, Lokichogio, Lorugum, Turkwel Lokitaung and Lokori. This is powered predominantly by diesel or solar hybrid mini-grids. Lokichar, Kalemgorok and Kakong'u are powered by the primary grid, while a mini-grid is being constructed in Kakuma (CGT, 2018, p.58). The overarching reliance on wood and charcoal as the primary source of heat energy (i.e. for cooking) is also a significant environmental threat.

The refugee settlements have become the main markets of commercially produced wood and charcoal fuel in the county, with annual consumption estimated at 240 metric tonnes (CGT, 2018).

The Local Economy of Turkana

Although livestock production is generally the main economic sector and the primary source of food, for households along the shores of Lake Turkana – the world's largest desert lake – the fishing industry takes this place, with Kalokol acting as the region's the main centre. In addition to the fishing industry, the lake and other local features, including archaeological and cultural sites, are tourist attractions. When considering these elements together, it is clear that the region has significant potential for growth, but like livestock production it is held back by poorly developed infrastructure and challenges related to market integration. At the same time, the construction of Gibe II Dam on the Ethiopian side of the lake also threatens the future of the lake fishing economy due to concerns over water levels (Gownaris et al, 2016).[53]

53 Gownaris, N et al (2018). Fisheries and Water Level Fluctuations in the World's Largest Desert Lake. Ecohydrology, July 2016

'In spite of the policy limitations, the camps have developed their internal economy over the years, which provides goods and services not supplied within the relief packages.'

— (WFP, 2014)*

** World Food Programme (2014). Dadaab and Kakuma Refugee Camps Market Assessment. Online Access: https://documents.wfp.org/stellent/groups/public/documents/ena/wfp266624.pdf?iframe*

Other economic activities in the county include trade and commerce and light industries such as basketry, metal fabrication and furniture making. Notably, the informal economy dominates businesses in the county, with over 2100 informal businesses estimated to exist in the Kakuma area (CGT, 2018). [54] Chapters 4 and 5 present a comprehensive analysis of these businesses. While oil may become a significant industry in the region in the future, given its recent discovery near Lokichar, this sector is yet to contribute significantly to the livelihoods of most of the county's households.

The Turkana West economy can be conceptualised under two broad categories:

1. The economy of the host communities (mainly livestock production); and
2. The economy created by refugee hosting, which is mainly dependent on the circulation of foreign capital through donor programmes.

Dependency on donor aid is unsustainable for businesses, yet this is commonplace in Kakuma-Kalobeyei. Indeed, the county is a recipient of significant humanitarian and development aid, targeting both host and refugee communities. However, the impact of this aid has largely been piecemeal to the local development.

Indeed, 'the failure of various forms of development intervention, along with other varieties of short-sightedness and neglect in the realms of policy, planning and governance, are prominent components in Turkana's history too (Derbyshire, 2021, p.193). Importantly, the situation can be interpreted as an opportunity for local economic development if specific shifts in assistance programming occur, such as shifting away from the 'binary' approach to humanitarian assistance that is geared towards addressing only the immediate needs of the refugee population, and excluding the host community. While such shifts are apparent in KISEDP, comprehensive implementation at the right scale is required for a truly transformative shift.

In Kakuma and Kalobeyei many businesses operate informally, i.e. without registration or licensing. Operating in so-called 'zones of exception', the economy in refugee settlements is dominated by the informal sector. Kakuma and Kalobeyei's informal economy is centred on food items and basic household consumables. Informal economies are common across Kenya, with national statistics indicating that the informal sector is the largest employer in the country, accounting for most of the new jobs created in the recent past.[55]

'Most of the businesses operating in Kakuma town operated with single business permits. Sometimes we, however, feel we are overcharged because you see what to get, what you sell and what they are charging; you feel that is too much.'

— Susan, Trader, Kakuma

54 CGT (2018). Turkana County Integrated Development Plan 2018-2022. Online access (12/02/2021): https://www.turkana.go.ke/wp-content/uploads/2021/02/Turkana_CIDP_Book_V6-pdf.io_.pdf

55 Republic of Kenya (2020). Economic Survey of Kenya 2020. Nairobi, Kenya National Bureau of Statistics

Box 3.2 Categories of Economic Activities in Kakuma Refugee Settlement and Kakuma Town

Categories of Economic Activities in Kakuma Refugee Settlement and Kakuma Town

1. **Formal Relief Redistribution:** Food and other relief goods are distributed to the refugees by the WFP and LWF through distribution centres within the four camps.
2. **Formal Commerce:** Wholesale and retail traders supply goods and services to Turkana residents and relief workers and agencies in Kakuma.
3. **Formal-Informal Commerce:** Wholesale traders supply goods and services to refugee wholesalers/ retailers within Kakuma Refugee Camp.
4. **Formal-Informal Banking and Remittances:** Banks and mobile money systems enable cash and credit to be transferred between relatives from outside Kakuma to Kakuma refugees.
5. **Formal-Informal Employment:** Refugees can seek employment with relief agencies or the traders in Kakuma.
6. **Informal Overt Commerce:** Refugee wholesalers and retailers supply goods and services to refugee consumers within Kakuma Refugee Camp.
7. **Informal Relief Commerce:** Refugees sell portions of relief food package to black market traders.
8. **Informal Covert Commerce:** Various actors involved in the flow of drugs, weapons, and other extra-legal or illicit activities within Kakuma Town and Kakuma Camp.

Source: Oka, R (2011). Unlikely Cities in the Desert: The Informal Economy as Causal Agent for Permanent 'Urban' Sustainability in Kakuma Refugee Camp, Kenya. *Urban Anthropology and Studies of Cultural Systems and World Economic Development.* Vol. 40, No. 3 / 4 pp. 223-262.

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CHAPTER 4. BUSINESSES AND THE LOCAL ECONOMIC ACTIVITIES IN TURKANA WEST

Overview

This chapter will focus on analysing businesses and local industries in Turkana West, including their linkages with the regional markets. Businesses and local industries in Turkana West are mostly informal Micro, Small, and Medium Enterprises (MSMEs). Key findings will be presented from primary data on the area's businesses, including the type or nature of businesses, the business's longevity, business permits and regulations, motivation to start a business, time-taken for the business to break even, business income, and the capacity of businesses. The data has been disaggregated by type of respondent (i.e. host community-owned businesses and refugee-owned businesses), gender, and settlement (i.e. Kakuma camp, Kakuma town and Kalobeyei Integrated Settlement). Secondly, the chapter presents an analysis of the business environment in refugee and host community settlements, including a specific focus on public markets and their significance, as well as and the current business environment presented by the COVID-19 pandemic. Finally, the chapter concludes by discussing challenges and emerging issues for those doing business in Turkana West, particularly addressing inadequate business capacity as a key issue.

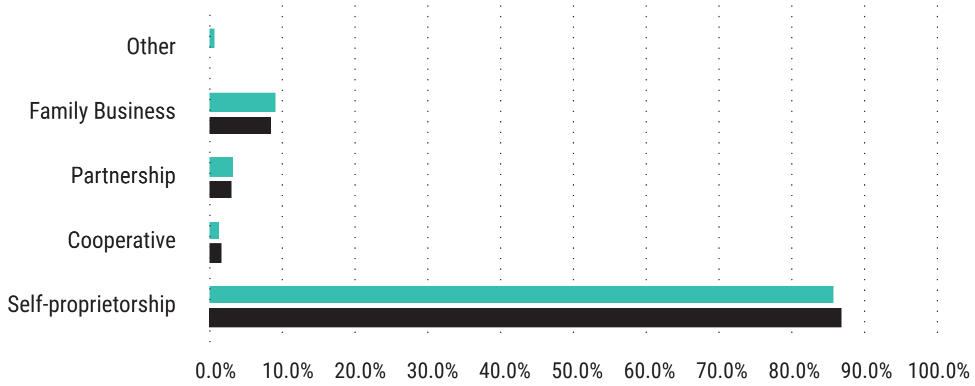
Sole Proprietorship and the Predominance of Small Businesses

The survey established that both refugee and host community-owned businesses are mainly owned individually as sole proprietorships. This includes, 85.7% of businesses owned by refugees and 86.9% of those owned by members of the host community. Other forms of ownership include cooperatives, partnerships and family-owned businesses. Most enterprises are informal MSMEs and are considered a major alternative income generation strategy in a place where livelihood opportunities are limited, and employment opportunities are inaccessible for most working-age individuals. Duka (shops) rarely provide job opportunities, as 70% of owners do not employ staff (International Finance Corporation, 2018).[56]

When including both refugee and host communities, self-proprietorship businesses account for 86.27% of overall businesses in Turkana West. These businesses are equally as likely to be owned by a man as a woman. Other business ownership types prevalent among female-owned businesses include family businesses and cooperatives. This shows that a conservative model for business ownership is more common among female-owned businesses.

56 IFC (2018). Kakuma as a Market Place: A Consumer and Market Study of a Refugee Camp and Town in Northwest Kenya. Washington, D.C.

Figure 4.1 Nature of Business Ownership



	Self-proprietorship	Cooperative	Partnership	Family Business	Other
Refugee Community	85.7%	1.3%	3.2%	9.1%	0.6%
Host Community	86.9%	1.5%	3.1%	8.5%	0.0%

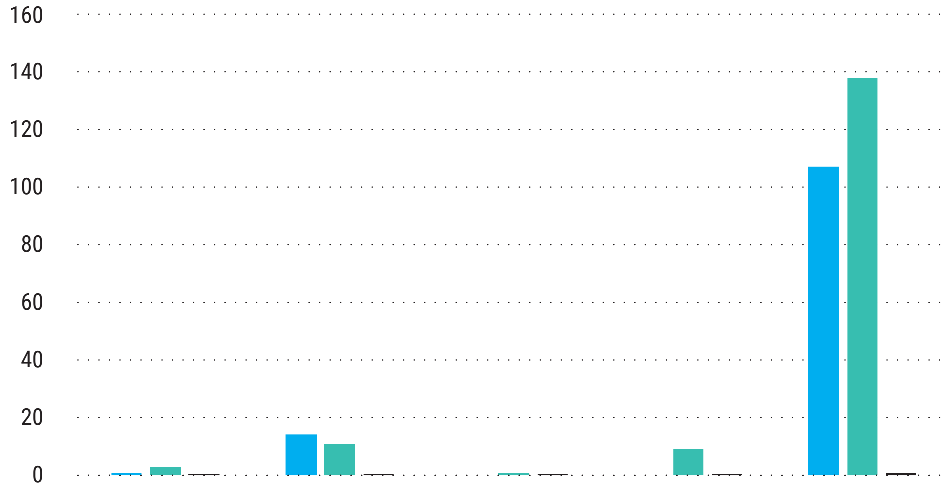
Source: UN-Habitat / Turkana West Survey (2020)

Investments in cooperatives and partnerships are low, which can be partly attributed to the inadequate capital and the associated complexity involved in opening a cooperative or a company. However, the recent creations of Savings and Credit Co-operative Societies (SACCOs), such as the Turkana West Integrated Savings and Credit Co-operative Society (TWISACCO) is an opportunity for greater business networking and access to credit (Action Africa Help International, 2018).[57] Furthermore, businesses in refugee camps are constrained by administrative bureaucracy. For instance, for refugees to open and register an enterprise as a limited liability company or as a sole business, certain documentation like tax number is required that is often out of reach for most refugees (IFC 2018). Additionally, for business permits from the county government, refugees need to meet certain thresholds like having an Alien ID, national health insurance, a pension plan, or registering with the Kenya Revenue Authority (KRA). Many refugees reported lacking one or more of these documents.

The Refugee Act (2006) grants refugees the right to work. However, this right has been curtailed by administrative bottlenecks and the encampment approach, which impedes self-reliance and participation in the local economy (IRC 2018; NRC & IHRC 2018; Hall 2016). The Immigration Act (2011) specifies that refugees may obtain a Class M work permit, allowing for gainful employment or volunteering. However, just as with registering a business, the bureaucratic requirements and documentation needed for a successful application are reportedly beyond the reach of most refugees (IRC, 2018). However, the survey observed that there are ongoing initiatives to address such barriers. For example, the Equity Bank branch in Kakuma already provides banking services for refugees, allowing UNHCR and RAS identity documentation to be used.

57 Action Africa Help International (2018). Turkana West Integrated Savings & Credit Cooperative Society Launched. Online Access (15/03/2021): https://www.actionafricahelp.org/8672-2/

Figure 4.2 Type of Business Ownership and Gender



	Cooperative	Family Business	Other	Partnership	Self-proprietorship
Female	1	14	0	0	107
Male	3	11	1	9	138
Percentage	1.41%	8.80%	0.35%	3.17%	86.27%

Source: UN-Habitat / Turkana West Survey (2020)

Informal Micro, Small and Medium Enterprises

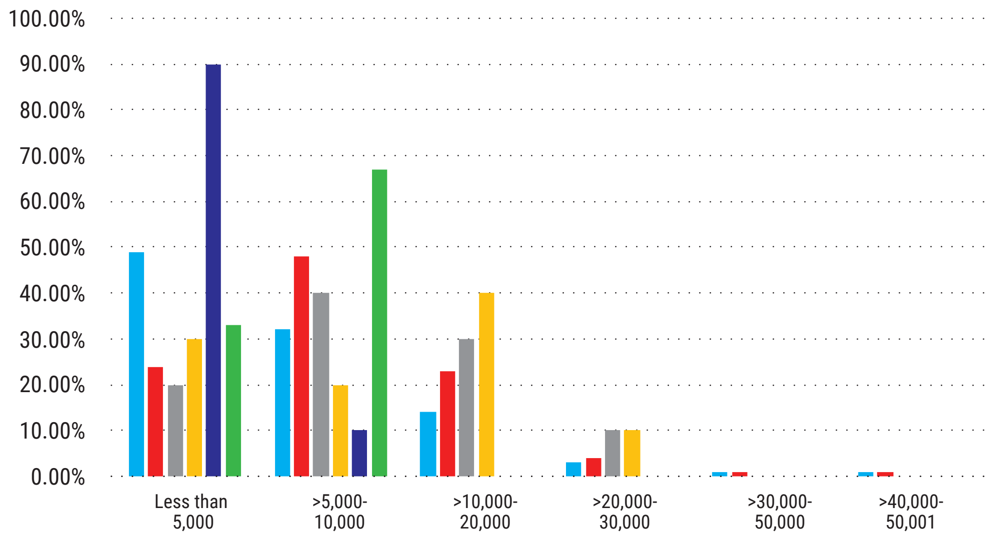
As noted earlier, the economy of Turkana West is dominated by the informal sector and most businesses are sole proprietorships. This is true of both refugee and host communities. While a few large businesses are present in this sub-sector, they are vastly outnumbered by the hundreds of owner-operated MSMEs and light industries. MSMEs are a significant sub-sector of the overall Kenyan economy, contributing an estimated 28.5% of the total economy in value-added terms as of 2016 (KNBS, 2016).[58] This indicates that the prevailing economic structure in Turkana West is not unique in Kenya.

However, specific local factors shape the strength and productivity of MSMEs. The household surveys showed that incomes are relatively low, which contributes to the predominance of low capital MSMEs, as the consumer market also has low spending capacity.

Geographically, Kakuma-Kalobeyei is the main hub of business activities in Turkana West. Most surveyed businesses were general merchandise shops and kiosks, accounting for 52.4%, indicating their prevalence in the settlements. Other business types include specialised grocery dealers (7.3%), light manufacturing (5.8%), hospitality services (5.8%), meat sales (4.5%), and electronics shops (3.6%). Public markets and the main town centres attract most of the commercial activities.

58 KNBS (2016). The 2016 National Micro, Small and Medium Establishment (MSME) Survey. Online Access (12/03/21): https://www.knbs.or.ke/?wpdmpro=the-2016-msme-survey-highlights-of-basic-report

Figure 4.3 **Income levels of Households**



	Less than 5,000	>5,000-10,000	>10,000-20,000	>20,000-30,000	>30,000-50,000	>40,000-50,001
Kakuma	49.00%	32.00%	14.00%	3.00%	1.00%	1.00%
Kalobeyei	24.00%	48.00%	23.00%	4.00%	1.00%	1.00%
Letea	20.00%	40.00%	30.00%	10.00%	0.00%	0.00%
Lokichoggio	30.00%	20.00%	40.00%	10.00%	0.00%	0.00%
Lopur	90.00%	10.00%	0.00%	0.00%	0.00%	0.00%
Songot	33.00%	67.00%	0.00%	0.00%	0.00%	0.00%

Source: UN-Habitat / Turkana West Survey (2020)

Previous studies in the Kakuma area have established a similar pattern. For instance, an IFC study carried out in Kakuma Refugee Camp and Kakuma town reported that most business owners run *dukas* (kiosks or shops), accounting for 31% of businesses in the town and 33% in the camp (IFC 2018). These businesses occupy various spaces, including durable buildings, makeshift stalls or shades, or in the open air – either by choice or due to difficulties in accessing appropriate spaces. The absence of appropriate town planning combined with inadequate infrastructure and utilities compounds the constraints businesses face in Turkana West.

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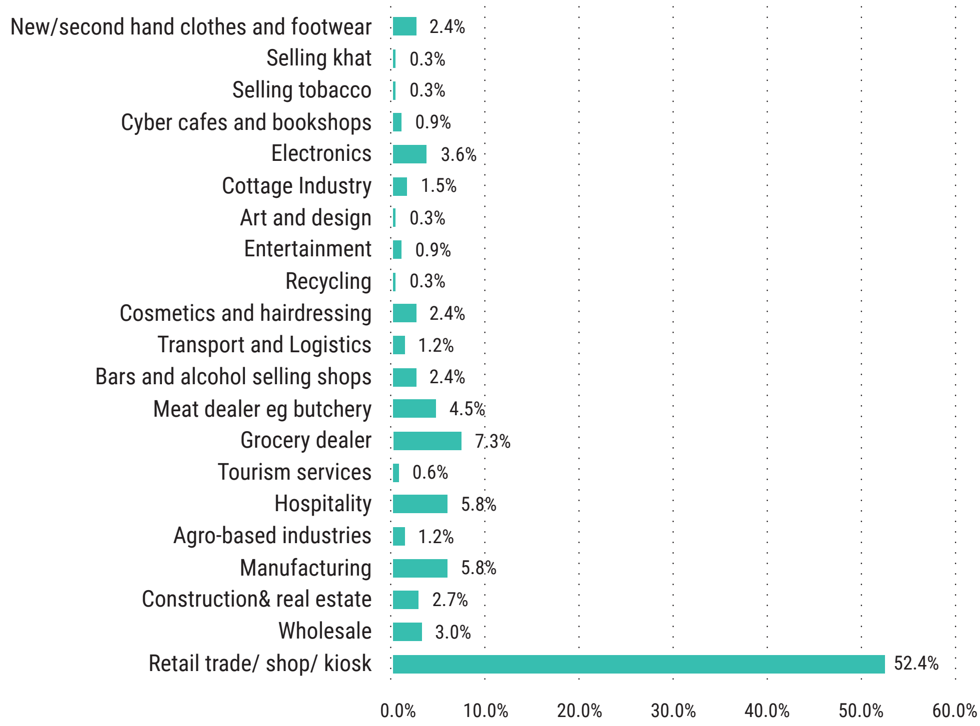
Figure 4.4 Types of Businesses in Turkana West



Source: UN-Habitat / Turkana West Survey (2020)

Businesses by Products and Services

The survey established that most of the products and services traded in Turkana West were foodstuffs (60%), including cereals and pulses (15.1%), fruits and vegetables (12.1%), processed food (11.3%), and meat (9.2%). This reveals the critical role informal businesses play in the area's food security. Other businesses include general household items and assorted goods (7.2%), electronics (5.9%), clothes and footwear (5.6%), and hotel and restaurant services (5.4%).

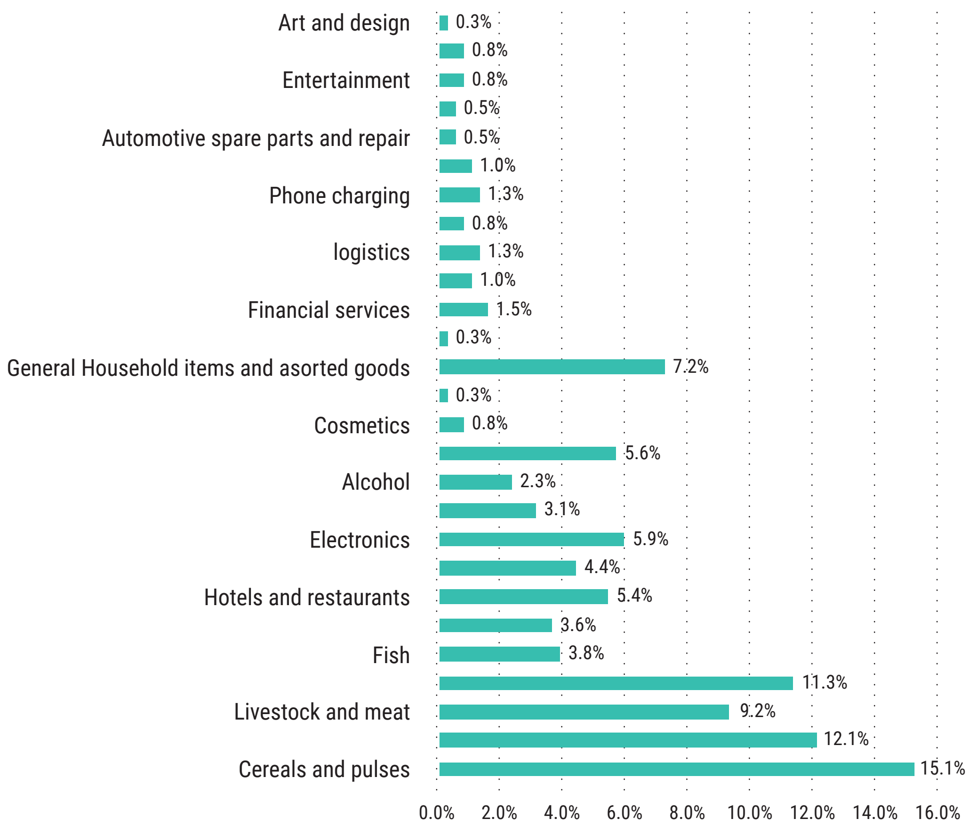
The refugee settlements and the towns that have emerged around them, i.e. Kakuma-Kalobeyei and Lokichoggio, provide markets for the pastoral livestock produced by the host community. However, the survey showed that the local value chain for meat faces various challenges, such as inadequate abattoir facilities and storage challenges for meat resellers. The pricing challenges are caused by the presence of middle-men and brokers, as well as cultural factors that limit the commercial productivity of meat, as local livestock are largely kept for sustenance and cultural identity.

Longevity of Businesses and the Sustainability Challenge

Although the settlements have existed for decades, most of the businesses surveyed were established only recently. The average business longevity was found to be about two years. Of surveyed businesses, 31% were less than a year old, 18.7% had existed for two years, 10.9 for three years, 9.9% for four years, and 6% for five years. Only 8.8% of enterprises were over a decade old. In KIIs and FGDs, traders reported that this is caused by strong competition and limited opportunities for expansion. According to many interviewees, the business environment is highly competitive. New entrants reduce the profits available for other businesses, leading them to close when they can no longer meet operational expenses.

Additionally, price fluctuations are frequent, often requiring existing businesses to cut prices and lower their profitability. Other businesses reported significant levels of debt at both a wholesale and retail level, as well as between consumers and retailers. A significant number of

Figure 4.5 **Businesses by Product and Services**



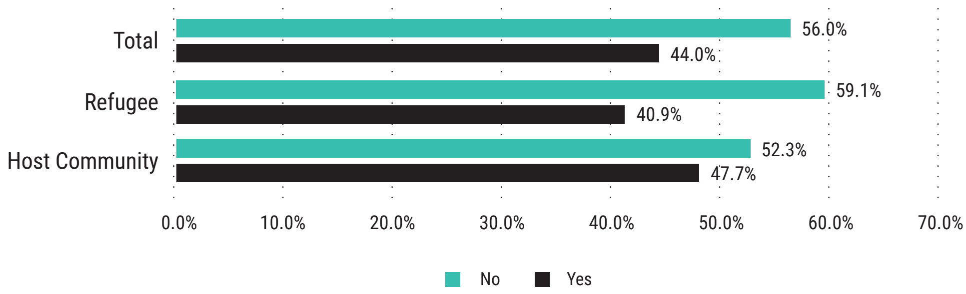
Source: UN-Habitat / Turkana West Survey (2020)

retailers reported buying goods from wholesale on credit, with the view to repay once they sell the goods. Several wholesalers also mentioned that they sometimes incur substantial losses when retailers do not pay for supplied goods in a timely way. Retailers reported that most of their clients are from the refugee community and often purchase goods on credit with a promise to pay once they receive their monthly cash transfers (i.e. through WFP's Bamba Chapa programme). In some cases, customers default on these payments, affecting business' capacity to continue operations. The prevalence of purchasing goods through credit is an indication that many households lack sufficient income to meet monthly basic needs. The short life span of many businesses also points to the unreliability of these incomes.

Operating Without Permits

The study revealed that 56% of both host community and refugee-owned businesses lack business permits, while 44% possess them. This disaggregates to 59.1% of refugee-owned businesses lacking businesses permits, compared to 52.3% of host community-owned businesses. Refugees often lack information about the application procedures, required documentation, and costs for obtaining business permits. A study conducted by the Norwegian Refugee Council (NRC) in Kakuma Refugee Camp established that the main channel for obtaining business permits was from the sub-county office (55%), while 37% were delivered to physically by the county officials (NRC & IHRC 2018).

Figure 4.6 **Business Permits**



Source: UN-Habitat / Turkana West Survey (2020)

Low uptake of licensing means that the County Government of Turkana misses an opportunity to enhance its Own Source Revenue (OSR). It also indicates that many businesses choose to operate informally due to the costs and bureaucracy associated with licenses, especially if they are micro and styill at trial phase. If the county is to enhance OSR revenue through licensing, businesses in Turkana West will require support mechanisms. These would include infrastructure services, facilitative policies and legislation, such as setting affordable fees for the many MSMEs in the area.

Market Access Fees

County governments usually charge user fees to operate in public markets, which constitutes a substantial amount of OSR. Yet according to the survey findings, 86.3% of businesses do not pay market access fees, while only 13.7% reported paying such fees. Host community-owned businesses that do not pay market fees were at 89.2%, compared to 83.8% by refugee-owned enterprises. The market fees are primarily paid in Kakuma, specifically in Kakuma 1 and Kakuma town's primary market. The Kakuma vegetable and cereals market has a market committee and is well organized, even though it only accounts for a small percentage of the town's businesses.

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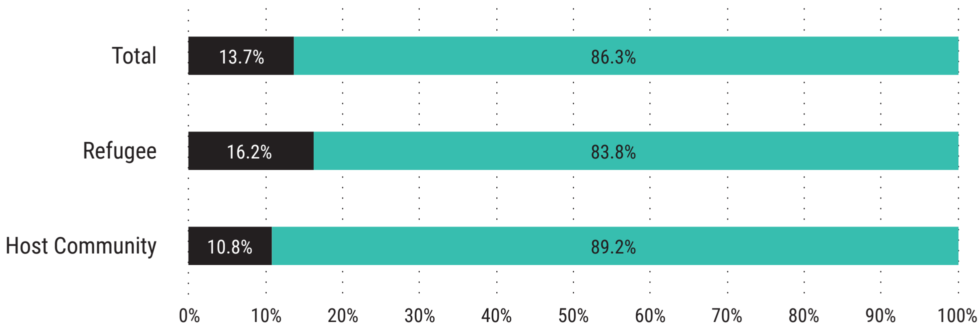
Figure 4.7 Businesses Paying Market Access Fees



Source: UN-Habitat / Turkana West Survey (2020)

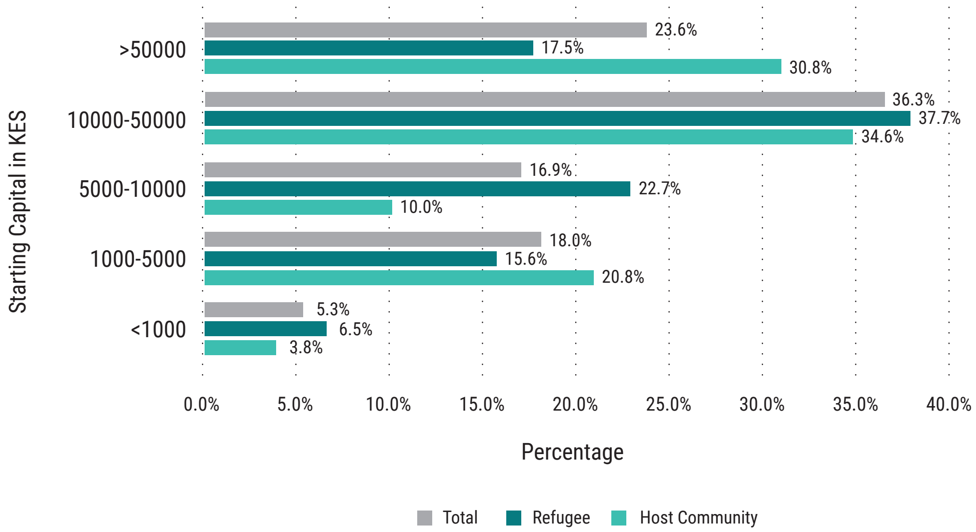
Cost of Starting a Business

Most of businesses in Turkana West are MSMEs that start with a relatively low capital base. Of the surveyed businesses, 3% started with capital between KES 5000 and 10000 (USD 50-100).[59] Of this number, 37.7% were refugee-owned businesses, while 34.6% were host community-owned. Businesses with a start-up capital of over KES 50,000 (USD 500) constituted 23.6% of the businesses surveyed. The prevalence of businesses whose start-up capital is relatively small, can be linked to the difficulties of accessing formal capital like bank financing.

Consequently, since the primary source of business capital is proprietors' own funds or family support, the capital raised is low as many households are struggling financially or have low incomes. Besides, the informal money market is only weakly developed (e.g., table banking, unregistered associations etc). Lack of collateral, missing documentation and high interest rates for commercial borrowing are critical impediments. Low financial literacy and a lack of awareness of the available financial services among businesspeople in Kakuma town and refugee camp have also been highlighted as contributing factors (IFC, 2018).

59 Calculated as rate of USD 1 = KES 100, at the time of data collection

Figure 4.8 Start-Up Capital of Business Owners

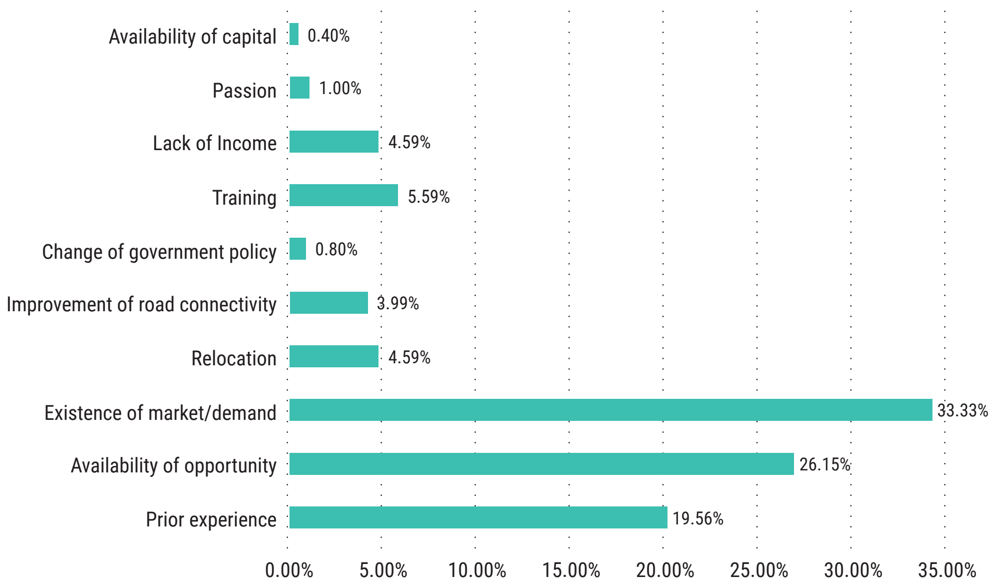


Source: UN-Habitat / Turkana West Survey (2020)

Motivation to Start a Business

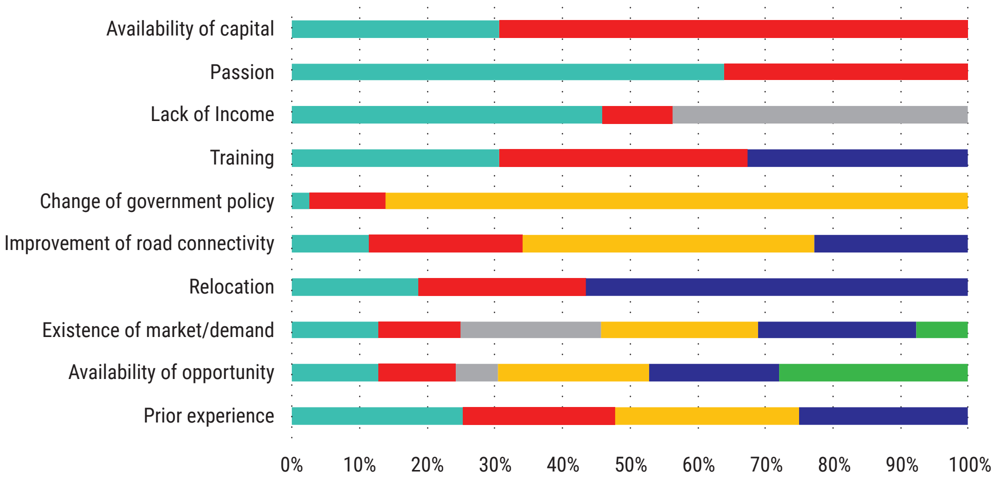
The survey found that the leading motivation for establishing businesses in Turkana West was the existence of a market/demand for certain goods and services (33.3%). Other significant motivations were the availability of opportunities (26.15%) and prior experience (19.56%).

Figure 4.9 Motivation to Start a Business



Source: UN-Habitat / Turkana West Survey (2020)

Figure 4.10 Motivation to Start Business Across Wards



	Prior experience	Availability of opportunity	Existence of market/demand	Relocation	Improvement of road connectivity	Change of government policy	Training	Lack of Income	Passion	Availability of capital
Kakuma	37.2%	45.3%	54.7%	7.0%	5.2%	0.6%	9.9%	11.6%	2.3%	0.6%
Kalobeyei	32.9%	40.8%	52.6%	9.2%	10.5%	2.6%	11.8%	2.6%	1.3%	1.3%
Lopur	0.0%	22.2%	88.9%	0.0%	0.0%	0.0%	0.0%	11.1%	0.0%	0.0%
Letea	40.0%	80.0%	100.0%	0.0%	20.0%	20.0%	0.0%	0.0%	0.0%	0.0%
Lokichoggio	36.8%	68.4%	100.0%	21.1%	10.5%	0.0%	10.5%	0.0%	0.0%	0.0%
Songot	0.0%	100.0%	33.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

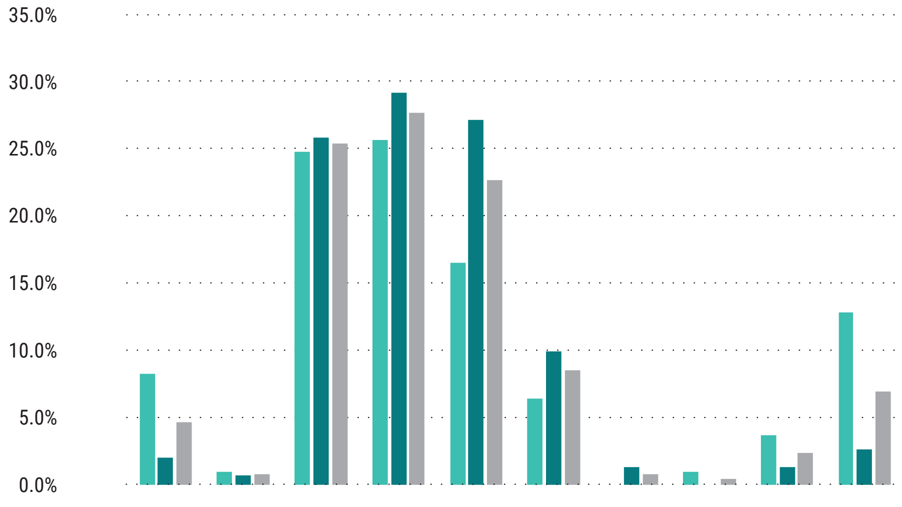
Source: UN-Habitat / Turkana West Survey (2020)

For Kakuma ward, the existence of a market/demand for goods and services ranked as the primary motivation for starting a business (54.7%), availability of opportunity (45.3%) and prior experience (37.2%) were the main factors motivating start of new businesses. This can be associated with the existence of concentrated population in Kakuma Town and the refugee settlement. For the Kalobeyei ward, the survey recorded that the main motivating factors were the existence of market/demand (52.6%), availability of opportunity (40.8%), and prior experience (32.9%). These factors can also be linked to the recent establishment of the Kalobeyei New Settlement and the existing market centre of Kalobeyei.

Short Period to Break Even

As indicated earlier, businesses in Turkana West generally have a short-life span. Many business operators indicated they took a relatively short period to break even. This signals to a strategy where new operators anticipate recovering capital in the shortest period possible, perhaps aware that many businesses have a short life span. Of the surveyed businesses, 81.2% broke even within the first year of operation, and 8.5% within the second year of operation. The proportion of businesses breaking even within the first year of operation is higher for refugee–owned businesses (84.8%) than host community-owned businesses (76.2%).

Figure 4.11 Time Taken by Businesses to Break Even



	Lese than 2weeks	2weeks - 1month	1 -3 months	>3 - 6 months	>6 months - 1year	>1 - 3 years	>2 - 3 years	5+ years	Business is yet to break even	Can't remember
Host Community	8.3%	0.9%	24.8%	25.7%	16.5%	6.4%	0.0%	0.9%	3.7%	12.8%
Refugee Community	2.0%	0.7%	25.8%	29.1%	27.2%	9.9%	1.3%	0.0%	1.3%	2.6%
Total	4.6%	0.8%	25.4%	27.7%	22.7%	8.5%	0.8%	0.4%	2.3%	6.9%

Source: UN-Habitat / Turkana West Survey (2020)

Table 4.1 Time Taken to Break Even Across Wards

	Kakuma	Kalobeyei	Lopur	Letea	Lokichoggio	Songot
Less than a month	4.46%	9.33%	0.00%	0.00%	0.00%	0.00%
1- 3 months	25.48%	28.00%	11.11%	33.33%	23.08%	0.00%
>3- 6 months	24.84%	30.67%	33.33%	33.33%	38.46%	33.33%
>6- 1 year	26.11%	20.00%	11.11%	0.00%	7.69%	33.33%
>1- 2 years	9.55%	8.00%	0.00%	0.00%	0.00%	33.33%
>2- 3 years	0.64%	1.33%	0.00%	0.00%	0.00%	0.00%
5+ years	0.64%	0.00%	0.00%	0.00%	0.00%	0.00%
Business yet to break even	2.55%	0.00%	0.00%	33.33%	7.69%	0.00%
Can't remember	5.73%	2.67%	44.44%	0.00%	23.08%	0.00%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

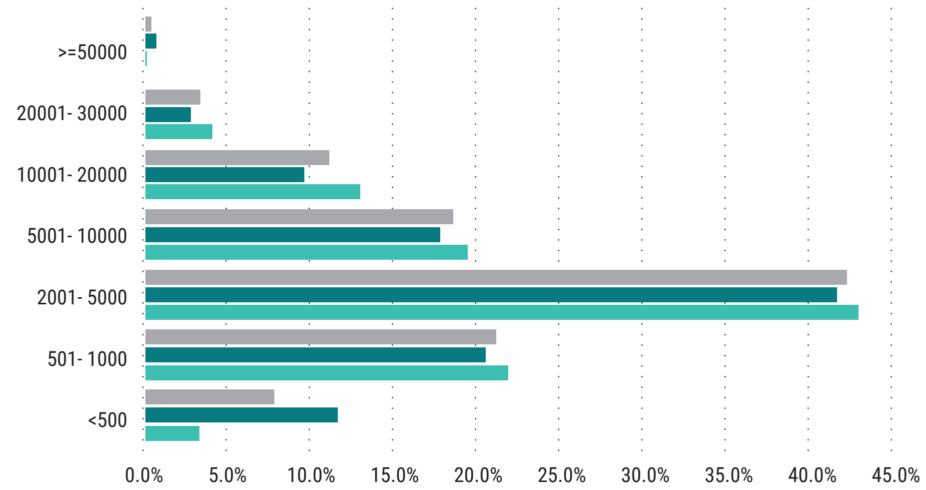
Source: UN-Habitat / Turkana West Survey (2020)

The survey revealed that businesses in Kakuma and Kalobeyei wards are more likely to break even in a shorter time than those in Songot, Letea, Lopur and Lokichoggio – wards located in relatively remote areas. This is consistent with the results that show refugee-owned businesses generally break even in a shorter time than host community-owned businesses. The two clusters (Kakuma and Kalobeyei) host a significant refugee population. In refugee settlements, a concentrated population is relying on food purchases, whereas among the more dispersed host community, food purchases merely supplement traditional modes of food production, e.g. livestock and crop farming. Therefore, businesses dealing in food items in refugee settlements are likely to have higher sales than similar businesses in the host community.

Relatively Low Incomes for Most of the Businesses

Incomes generated from businesses in Turkana West are relatively low. For example, 40.4% of respondents reported a weekly income of between KES 2000-5000 (USD 20-50), while 20.2% reported a weekly income of KES 501-1000 (USD 5-10), and 17.7% reported incomes of KES 5001-10000 (USD 50-100). Only 3.2% reported a weekly income of KES 20,001-30,000 (USD 200-300). On average, host community-owned businesses perform better than refugee-owned businesses across the income ranges of KES 500-30,000 (USD 5-300). This range accounts for most of the income reported in the survey. However, there are exceptions such as wholesalers and contractors, who dominate the market and generally report considerably higher incomes, though they only constitute a small fraction of businesses in Turkana West.

Figure 4.12 **Weekly Business Income**

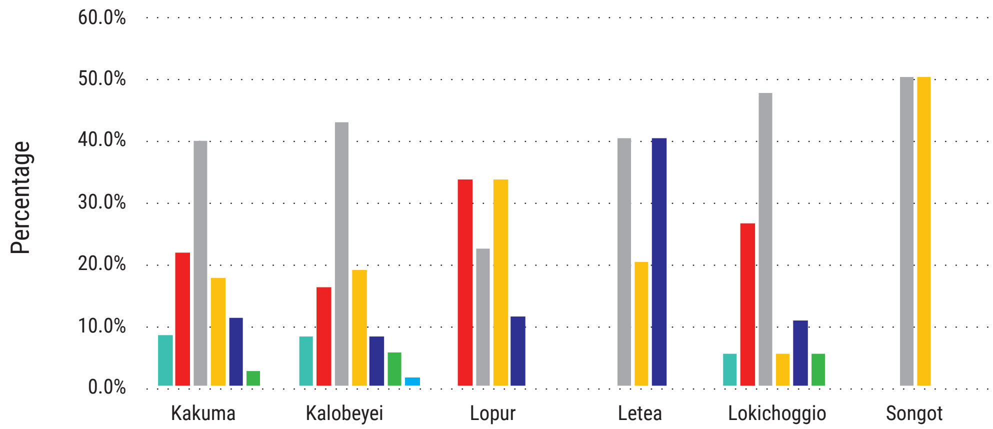


	<500	501-1000	2001-5000	5001-10000	10001-20000	20001-30000	>=50000
Total	7.4%	20.2%	40.4%	17.7%	10.6%	3.2%	0.4%
Refugee	11.1%	19.6%	39.9%	17.0%	9.2%	2.6%	0.7%
Host Community	3.1%	20.9%	41.1%	18.6%	12.4%	3.9%	0.0%

Source: UN-Habitat / Turkana West Survey (2020)

In Lokichoggio, Kakuma and Kalobeyei wards, some businesses (14.2%) were found to have a weekly income of above KES 20,000 (USD 200) and above. In these wards, most businesses are located on or near the A1 Road, where there is a higher concentration of economic activity and better connectivity to markets, both locally and regionally. The businesses in wards that are further from this corridor report relatively lower weekly incomes. For example, businesses in Letea ward have average weekly incomes of KES 2001-5000 (40%), 5001-10,000 (20%) and a maximum of KES 10,001-20,000 (40%). In Songot ward, the average incomes from businesses are KES 2001-5000 (50%) and KES 5001-10,000 (50%). The qualitative research indicates that Letea and Songot wards have relatively low connectivity and accessibility to supply chains, external markets, services and logistics systems. These wards also have sparsely distributed settlements with most households being nomadic pastoralists.

Figure 4.13 Average Weekly Income Across Wards



	Kakuma	Kalobeyei	Lopur	Letea	Lokichoggio	Songot
<500	8.1%	8.0%	0.0%	0.0%	5.3%	0.0%
501- 1000	21.5%	16.0%	33.3%	0.0%	26.3%	0.0%
2001- 5000	39.5%	42.7%	22.2%	40.0%	47.4%	50.0%
5001- 10000	17.4%	18.7%	33.3%	20.0%	5.3%	50.0%
10001- 20000	11.0%	8.0%	11.1%	40.0%	10.5%	0.0%
20001- 30000	2.3%	5.3%	0.0%	0.0%	5.3%	0.0%

Source: UN-Habitat / Turkana West Survey (2020)

Challenges in Accessing Business Financing

While the incomes produced by businesses are critical and can potentially be improved, many still struggle to grow or take advantage of growth opportunities due to financing challenges. Both refugee and host community businesses indicated the need for higher capital and financial operating capacity in order to transact with the major suppliers located outside of Turkana West. Such suppliers are mainly from the NOREB region (Eldoret, Kitale and Lodwar), Nairobi, and Uganda. Such purchases require ready cash, with bulk purchases being more cost-effective as they reduce transportation costs per item. However, the small-scale nature of operations and insufficient capital leaves many MSMEs in Turkana West unable to tap into the improved logistics opportunities presented by the recent construction of the A1 Road. Part of the potential interventions needed to boost their potential to access financing and other support mechanisms is organizing the businesses, as attempted in this project.

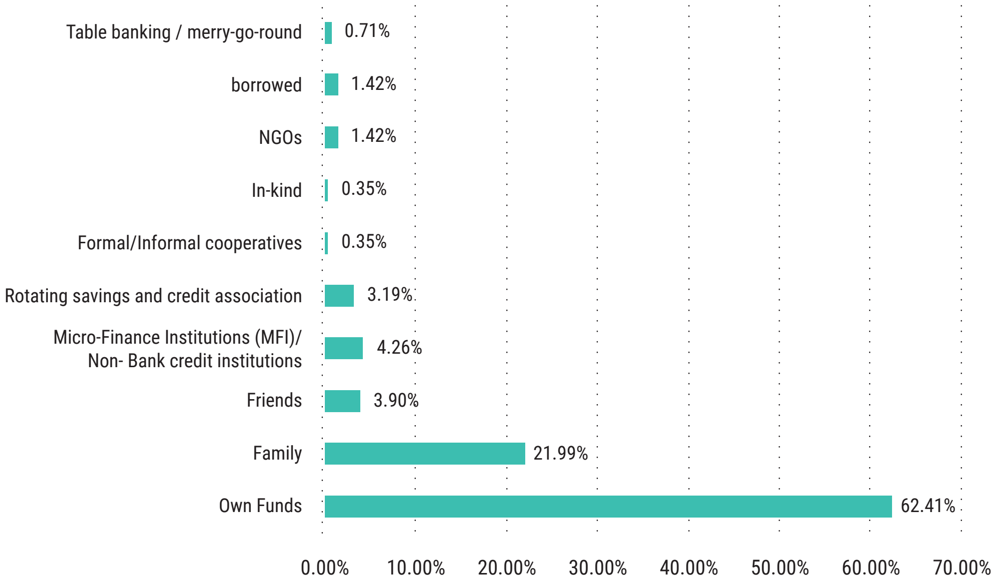
Primary Source of Initial Capital to Set-Up

The survey findings show that the initial capital for most businesses came from proprietors' own funds (62.41%) and family support (21.99%). Other initial capital sources were micro-finance institutions (MFIs) (4.2%), SACCOs (3.19%), NGOs (1.42%), commercial banks (1.42%) and table banking (0.71%). Indeed, this is consistent with a national survey indicating that most MSMEs, whether licensed or unlicensed, depend on self-sponsorship or family savings (KNBS, 2016).[60] The KNBS (2016) study showed that MSMEs with self-funded or family-funded start-up capital accounted for 80.6%, while 4.2% reported getting loans from family and friends to start their business. According to the study, banks finance 5.6% of MSMEs, chamas (informal micro-savings groups) finance 1.4%, cooperatives finance 0.4%, and governments finance only 0.1%.

60 KNBS (2016). The 2016 National Micro, Small and Medium Establishment (MSME) Survey. Online Access (12/03/21): https://www.undp.org/content/dam/kenya/docs/IEG/MSME%20SURVEY%202016%20-%20HIGHLIGHTS%20OF%20BASIC%20REPORT.pdf

This indicates that enterprises are significantly constrained by gaps in the financial system, such as limited access to capital, high collateral requirements and lack of experience within financial intermediaries. To encourage greater bank-led financing, the Central Bank of Kenya (CBK) has increased its focus on the MSMEs sector through several lending and credit facilitation programmes, mainly to bridge unmet funding demand and maintain banking credit flow (KNBS, 2016).

Figure 4.14 **Primary Source of Initial Capital**



Source: UN-Habitat / Turkana West Survey (2020)

In all the wards surveyed, business operators identified own-source funds as the primary source of business financing. However, in Kalobeyei and Kakuma table banking, rotating funds, borrowing and NGO support were also significant capital sources that were not available in Turkana West's more remote wards. Of the businesses surveyed, 76% started with capital not exceeding KES 50,000 (USD 500). Controlling sources of capital by gender showed disparities between female and male-owned enterprises. Male-owned enterprises were more likely than female-owned enterprises to source capital from family, MFIs / non-bank credit institutions, and table banking / rotating contributions. This reflects the advantage men have over resources in this socio-cultural context. The findings indicate that female-owned businesses have no comparative advantage in terms of source of capital compared to male-owned businesses. Overall, 86% of respondents indicated that raising start-up capital was problematic, suggesting that financial access is a significant barrier for starting businesses in the area.

Table 4.2 Source of Capital for Female and Male-Owned Enterprises

	Female-Owned	Male-Owned	Total Businesses
Borrowed	3	1	1.42%
Family	21	41	21.99%
Formal/Informal cooperatives	1		0.35%
Friends	6	5	3.90%
In-kind		1	0.35%
Micro-Finance Institutions (MFI)/Non- Bank Credit Institutions	4	8	4.26%
NGOs	2	2	1.42%
Own Funds	80	96	62.41%
Rotating Savings and Credit Associations	4	5	3.19%
Table Banking / Merry-Go-Round		2	0.71%
	121	161	

Source: UN-Habitat / Turkana West Survey (2020)

Commercial and financial service providers have traditionally tended to overlook the refugee market despite its potential profitability. This has hindered refugees' ability to safely bank proceeds from their businesses or remittances from friends and family abroad, as well as limiting their participation in economic activities. While a lack of identification documents may be an issue, financial actors can incorporate flexibility into their lending policy requirements, such as with Equity Bank, which offers finance products specifically for refugees. According to the branch manager at Equity Bank in Kakuma, the bank, in partnership with UNHCR, has rolled out a banking uptake programme in Kakuma-Kalobeyei. The initial phase has begun in Kalobeyei New Settlement, where close to 8,500 households have been issued with bank accounts. The bank has also partnered with WFP in the implementation of Bamba Chakula – a cash-based programme. The African-led initiative Action Africa Help International also provides loans to refugees in Kakuma-Kalobeyei. However, there are still financing challenges related to the nature of businesses such as the absence of collateral or guarantee for loan agreements, as well as reluctance due to perceptions among section of the communities that formal credit can risk one to being auctioned in case of inability to pay.

'There is no starting capital for businesses in the area. For example, in my mandazi [fried bread] business, I take the requirements from the shops on credit, keeping in mind that the shopkeeper also got them on credit. It is a chain of debt-building. Growth in this environment is hard. For the shuka [cloth] making, we do it by hand since we lack the necessary machines. By hand, you make few shukas, and when the time of rent payment comes, your clients haven't paid you.'

— (KII with Trader in Kakuma Camp)

Limited Capacity of Businesses Growth

The current County Fiscal Strategy Paper (2020) identifies the main challenge for local business operators as low education levels (CGT, 2020). Indeed, bookkeeping and other critical business activities are completed to a low level in Turkana West, affecting business growth and sustainability. Turkana County's Department of Trade, Gender, and Youth Affairs runs training programmes for capacity building for traders and is completing a one-stop Business Development Centre at Ekalees Centre in Lodwar. The extreme poverty levels and associated socio-economic conditions in Turkana West do not allow entrepreneurs to upscale their businesses since they are concerned with meeting their basic needs of sustenance, food, shelter and clothing.

Skills Challenges

Of the business operators surveyed, 28% were found to have attained primary level education, 30% had attained secondary level, and 14% had some sort of higher-education qualification. When considering that the majority of surveyed businesses had only been established recently (60% established between 2017 and 2020), it may be concluded that low skill levels contribute to enterprises struggling to survive. The survey shows that Turkana West suffers from low education transition rates from primary to secondary level, as well as inadequate training facilities, and constraints associated with existing ones. This disadvantages the competitiveness of local labour, especially the youth, shutting them out of better-paying jobs such as those offered by the numerous organizations operating in the area. Therefore, enhancing access to education and training can enhance business development in the area. The survey results reveal that businesses generally do not undertake or participate in business training (91.9%), or marketing (91.5%). This implies that business development programmes are needed to support the growth of local enterprises. There are several ongoing interventions to build the capacity of businesses, including considerations to skills development such as the IFC Kakuma-Kalobeyei Challenge Fund, the WFP's Bamba Chakula programme, and the Equity Bank programme to support local businesses.

Business Administration and Capacity Development

Although the survey established that businesses in Turkana West have a short lifespan, 73.9% plan to expand in the next three years, while 20.7% plan to shift to alternative livelihoods. Only a very small proportion planned to close, sell the business, or had no plans. This implies that business-owners which to grow their businesses but are prevented from doing so because of various barriers. One such programme is run by Equity Bank in Kakuma town, which teaches traders financial literacy and entrepreneurship skills. The bank is working with the Kenya National Chamber of Commerce and Industry and NGOs that support business development to deliver this programme.

'...one of the key things we are currently doing is to train local businesses on financial literacy. Our Equity Group Foundation has different pillars, including supporting financial literacy and entrepreneurship skills. We're now engaging the Kenya National Chamber of Commerce and Industry. During the recruitment of the traders within Kakuma, we cluster them depending on the kind of business. After training, we always extend financing to them, based on the partnerships that we have with them...'

— (KII with Equity Bank Manager, Kakuma Branch).

Operating Businesses in Refugee and Host Community Settlements

The Kakuma and Kalobeyei refugee settlements resemble a town, but their economy is hindered by legal restrictions and a dependency on cash flows from donor assistance. The settlements have a combined population of over 200,000 people (UNHCR, 2020), not including the significant host community towns nearby. Money circulates through the local economy as refugees engage in various economic activities including MSMEs, such as salons, cafes, shops, *bodaboda* services, grocery stores, as well as casual jobs such as washing clothes and construction work. Refugees also engage in light industries, such as artwork, furniture making, welding, cloth making etc. These economic exchanges are not restricted to the specific settlements or towns, but link to surrounding areas.

As mentioned earlier, access to credit is a major challenge for refugee businesses, however, there appears to be some reprieve with Equity Bank increasingly extending credit to refugee-owned businesses. In KIIs, the manager indicated that the Equity Bank relies on UNHCR documentation to extend credit to refugees. This is critical and promises to break the financing barrier faced by refugee business owners. Most importantly, financing support is needed by both refugee and host community businesses, so a comprehensive review of the barriers is crucial.

As outlined in Chapter 2, Kenya's encampment policy places restrictions on refugees, including movement and the ability to engage in gainful employment. While the Refugee Act (2006) provides for refugee work permits, it is curtailed by administrative bottlenecks and the encampment policy that limits movement of refugees. Equally, the Citizens and Immigration Act (2011) establishes Class M work permits for refugees, but this is rendered out of reach for most refugees because of document requirements that they may not produce and bureaucratic processes (IRC, 2018).

UNHCR advocates for movement permits under specific grounds: protection, family reunification, and other reasons, including medical and educational reasons (World Bank, 2019). Where permits exist for business reasons, they can be unavailable for certain periods (e.g. when temporary bans are imposed) creating uncertainty among the refugees business community. Some refugees have used intermediaries from the host community; however, this is often costly. Those seeking business registration permits are often impeded by a lack of information regarding the required documentation, application procedures and fees. Several other legal restrictions are placed on refugees, including restrictions on livestock ownership (so as not to fuel tensions with the host community), a prohibition from cutting down trees for charcoal (as this is one of the host community's primary income sources), and an inability to own land or the developments thereon, thereby curtailing participation in any meaningful land-based economic production.

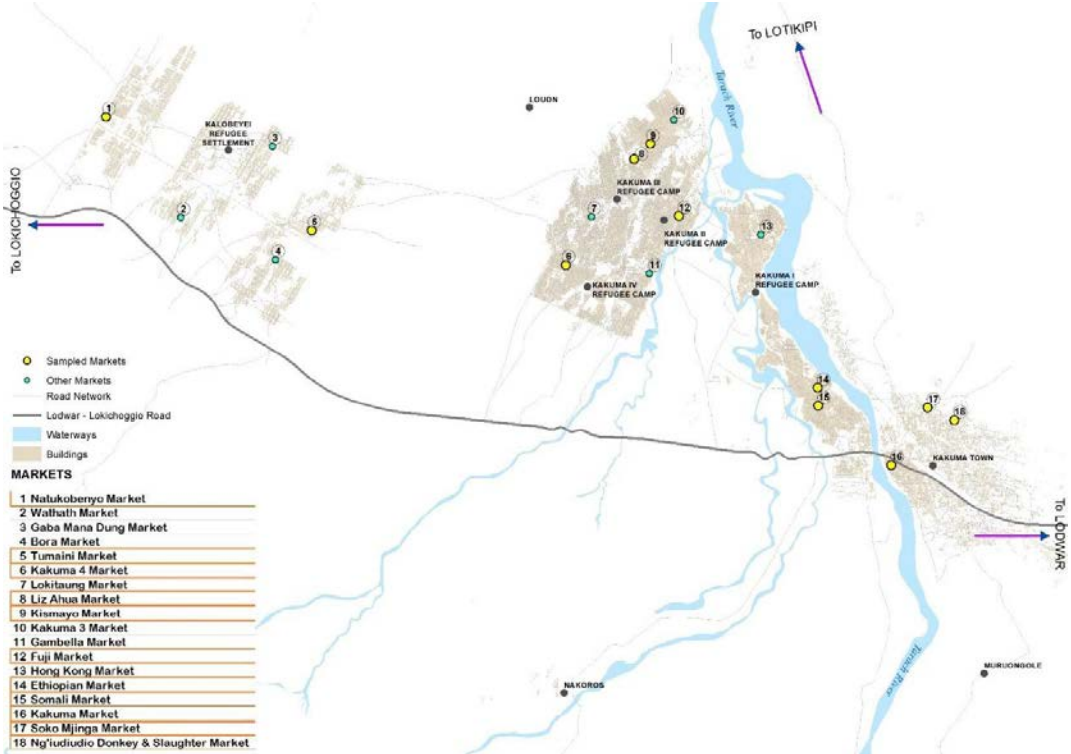
Host community businesses are concerned about the sustainability of the Kakuma-Kalobeyei economy which is currently heavily reliant on the presence of refugees. The case of Lokichoggio – a once-thriving economy where economic fortunes declined after the closure of refugee-related activities – offers no comfort. Among the host communities, the most common business activities are livestock keeping and firewood and charcoal trading. To a lesser extent, some host communities are involved in food retail, including groceries. However, the cost of doing business among the host community is higher than in the refugee settlement. As one respondent noted, a butcher in Kakuma camp can operate from an allocated plot, not incurring rent charges. However, in Kakuma town, traders incur both license and rental costs, pushing up business operating costs.

The traditional communal land tenure in the area, where no individual property rights are formally granted, also acts as a barrier to business growth. Business operators are denied the opportunity to use land as collateral for accessing credit from financial markets, while private sector investors are limited when seeking to enter the local economy.

Public Markets and their Significance to the Local Economy

A significant proportion of the area's MSMEs operate in the various public markets. The main markets are located in towns and refugee settlements, as well as small centres along the A1 Road corridor (Kakuma-Nadapal Road). The settlements public markets are linked to various networks of suppliers, retailers, support institutions and other players in the market system.

Figure 4.15 Public Markets in Kakuma

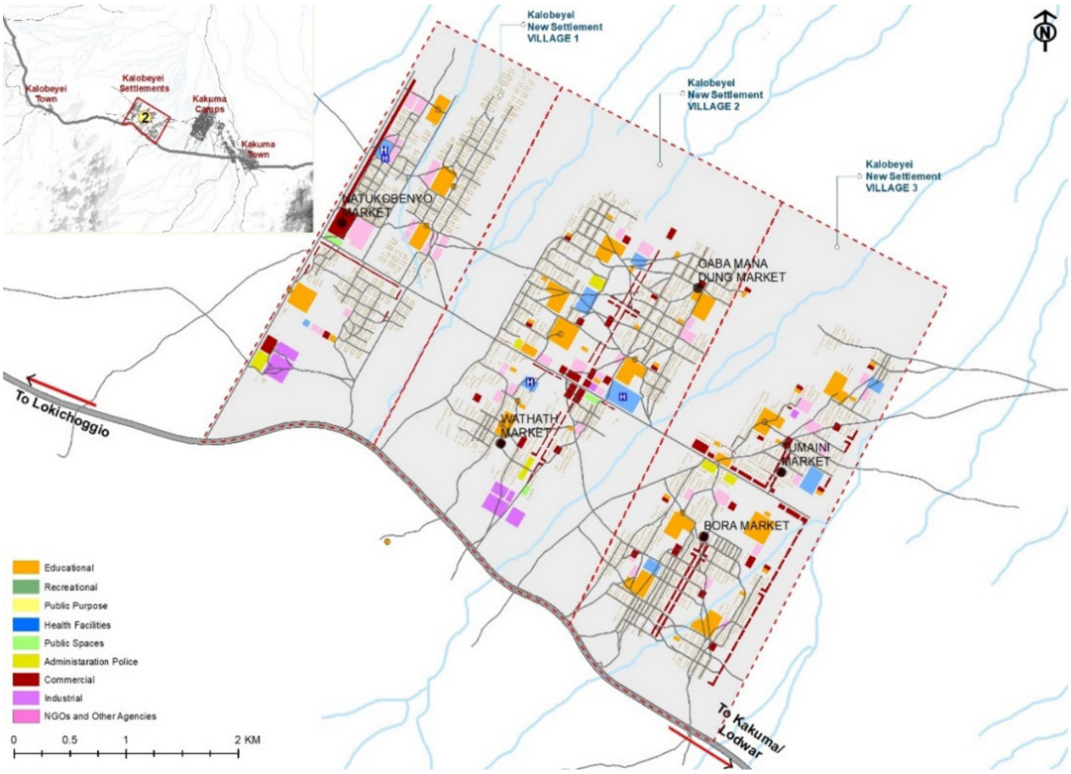


Source: UN-Habitat / Turkana West Survey (2020)

The Nature of Public Markets and their Linkages

A total of 16 public markets were featured in this survey, including markets in Lodwar, Kitale and Kalokol on the shores of Lake Turkana. The markets studied in Kakuma-Kalobeyei were mostly found to have grown spontaneously as informal markets, although some have since received improvements from governments or NGOs. Kalobeyei New Settlement has three planned markets, established in 2016 by WFP, while others have grown informally, especially near the designated food distribution centres. It was noted that the markets in Kalobeyei New Settlement have strong linkages with those in Kakuma Refugee Camp and Kakuma town. This is facilitated by a road that connects Kakuma 4 with Kalobeyei New Settlement, which acts as the main route for commodity flows and market users.

Figure 4.16 **Public Markets in Kalobeyei New Settlement**



Source: UN-Habitat / Turkana West Survey (2020)

The A1 Road connects Turkana West with major centres of market supplies such as Eldoret and Kitale, including food items and manufactured goods. Kitale serves as a significant supply town for food and vegetables sold in Turkana West markets. These towns link to the Northern Economic Corridor, thus allowing a flow of goods from Nairobi, as well as imported commodities that entered Kenya at Mombasa Port. Through secondary linkages, traders in Turkana West are also able to source goods from parts of Uganda, especially Moroto.

Lodwar's wholesale market acts as a destination for bulk fresh food supplies from Kitale and fish supplies from Kalokol, although some transporters bypass this market to sell directly to traders in Kakuma-Kalobeyei and Lokichoggio. Indeed, the main markets in Kakuma 1 and Kakuma town act as dual wholesale and retail markets, with the wholesale component serving the smaller markets in nearby settlements, both locally and in the other wards.

Market Infrastructure and Facilities

Most markets surveyed lacked adequate infrastructure, exposing traders and market users to hazards related to poor public health and safety. For example, most markets lacked organized waste management systems and running water, with businesses resorting to burning waste, or dumping it openly in undesignated areas. Without proper planning and design, market spaces were also highly inadequate, lacking storage, energy or paved floors etc. The main market at Kakuma 1 also experiences periodic floods, instigating involuntary relocations whenever the floods occur.

The study establishes that constructing new markets or improving existing market facilities is required, as proposed by all market leaders and traders engaged during the profiling of the markets. Improving the physical infrastructure of markets will ensure a safe and clean environment for vendors and shoppers, thereby facilitating trade.

Development of markets will also expand access to fresh produce and reduce wastage linked to poor market facilities, such as lack of refrigeration and proper storage.

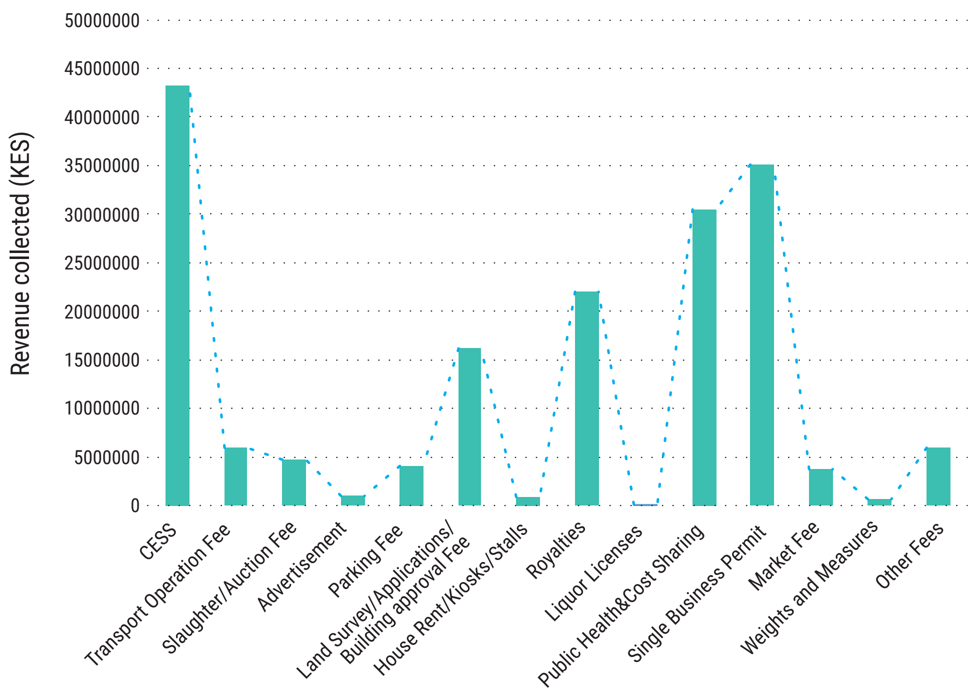
Based on KIIs with market operators, the following measures are recommended for improving public markets in Turkana West:

- Construct a wholesale market facility. A central market is required for wholesale activities, which will promote effective and efficient integration with the regional flow of commodities. This should be located strategically along the A1 Road within Kakuma-Kalobeyei.
- Provide general warehousing areas and areas with refrigeration facilities, such as a warehousing and logistics centre. This warehouse may also deliver sorting and packaging services to traders, enabling the selling of fresh produce in smaller quantities to consumers. These facilities can help individual market actors ensure a more consistent flow of goods to markets and avoid the fluctuations of supplies and prices during some seasons. The warehouse could incorporate sustainable design features, such as storage facilities supported by solar power – a high potential energy source in Turkana West.
- Improvement facilities at the main settlement markets. Traders indicated the need for properly designed and constructed markets that offer a variety of spaces or stalls, are well paved, and are connected to vital utilities and storage facilities. This will improve working conditions and user experience.

Public Revenue and Potential for Enhancement Through Investing in Public Markets

The County Fiscal Strategy Plan (CIFP) for 2020/2021 indicates that OSR in the 2019/2020 fiscal year amounted to 1.5% of the total budget of the Turkana County Government, i.e. an OSR of just under KES 182 million (USD 1.8 million) from a total budget of KES 12.3 billion (USD 122.5 million). This low proportion indicates that the county government relies heavily on national government funding to finance its development and recurrent expenditure. The county's primary OSR revenue sources are cesses, business permits and market fees (Turkana County, 2020)[61] Most of this comes from business activities in the towns and refugee settlements. However, business owners highlighted that while they pay fees, their trading spaces still face poor infrastructure and services. Increased investments that benefit businesses in Turkana County, particularly those in major centres like Kakuma-Kalobeyei, will have the flow on effect of enhancing OSR for the county government, as well as strengthening LED.

Figure 4.17 **Own Source Revenue (OSR) Streams**



Source: Turkana County, 2020

61 TURKANA COUNTY FISCAL STRATEGY PAPER 2020. (2020).
Retrieved from https://www.turkana.go.ke/wp-content/uploads/2020/04/CFSP-2020_2021-Final-Approved.pdf

Table 4.3 Turkana County's Revenue Streams

Revenue Stream	FY 2019/20 (KES)	Targets for Upcoming FYs (KES)	
		FY 2020/21 Revised	FY 2021/22
Cesses: (Transport Cess, Hide & Skin Cess, Fish Cess, Charcoal Cess, Firewood Cess, Miraa Cess, Handicraft Cess, Sewer Exhauster Services and Cess)	48,979,085.00	34,614,240.00	53,876,993.50
Transport Operation Fee (Taxi, Bodaboda, Matatu, Canter, Lorry, Buses)	2,868,570.00	4,764,752.00	3,155,427.00
Slaughter/Auction Fee (Small and Big Animals, Meat Insp. Fee)	5,518,290.00	3,798,128.00	6,070,119.00
Advertisement (Signpost, Sign Boards)	459,780.00	849,408.00	505,758.00
Parking Fee (All Vehicles), Exhauster Fee	1,060,420.00	3,278,912.00	1,166,462.00
Land Survey/Application/ Building Approval, School Reg. Fee, Holding Ground Fee, Burrow Pit Fee, Toilet Fee, Land Transfer Fee	13,294,441.80	21,175,695.20	14,623,885.98
House Rent/Kiosks/Stalls	2,082,100.00	2,322,360.00	2,290,310.00
Royalty (Murram, Hardcore Sand, Ballast, Exploitation)	27,095,051.90	25,048,765.60	29,804,557.09
Corporates	5,127,110.80		5,639,821.88
Liquor Licenses (Liquor SDP and Application Fee)	5,523,784.00	4,000,000.00	6,076,162.40
Health (Public Health and Cost Sharing)	26,600,210.00	33,949,389.60	29,260,231.00
Single Business Permit	31,825,690.00	32,070,696.00	35,008,259.00
Market Fee (Barter, Fish, Market Stall Fees, Offloading)	3,524,980.00	2,995,032.00	3,877,478.00
Weights and Measures	1,163,860.00	1,403,800.00	1,280,246.00
Trade Fair	4,743,807.00	-	5,218,187.70
Other Fees and Charges (Hides and Skins, Tenders)	2,099,010.70	4,728,821.60	2,308,911.77
Environment	5,000.00	-	5,500.00
Total Revenue	**181,971,191.20**	**175,000,000.00**	**200,168,310.32**

Source: Turkana County Government (2020)

While most of the revenue in Turkana County comes from market fees, cesses and the issuance of business permits, the county still can leverage additional revenue by providing modern market facilities and automating the county revenue collection systems. The Turkana County Government is in the final stages of granting Kakuma-Kalobeyei municipality status, which will be a significant step in decentralising governance and emphasising local economic development. Local development planning and the provision of infrastructure, such as market facilities, can become a priority once a functional municipality is in place.

Infrastructure Services and their Impact on Business and the Local Economy

As noted earlier, local economic development in Turkana West requires the provision of necessary infrastructure and utilities through appropriate urban planning and management mechanisms. While the A1 road and the planned LAPSSET infrastructure will be significant in connecting Turkana West to the wider region, its benefits will inevitably be constrained by underdeveloped local infrastructure. Historical marginalisation has left the area without critical infrastructure such as networked water, sewerage or energy supply. While there have been some recent improvements, interventions are yet to achieve a threshold that can transform LED prospects in the area. This was also apparent in the IFC's 2018 study, which observed that skewed and poorly coordinated services and infrastructure investments were one of the main factors disadvantaging Kakuma town's development (IFC, 2018).

Most businesses said that the biggest challenges to their operations were poor transport infrastructure, high energy costs, and unreliable water and sanitation systems. High transportation costs were associated with sourcing supplies from other regions, but also had a local effect where poor road conditions drive up maintenance costs for vehicles, thereby necessitating higher costs for goods and services. High water costs and its unreliability undermine business productivity. Likewise, high energy tariffs also escalate the cost of business operations. Energy supply in the refugee settlements is provided mostly through solar power and fossil fuel generators, whereas in Kakuma Town and being expanded to Kalobeyei, Kenya Power runs a diesel-powered mini-grid but whose coverage is low, as many businesses and households remain unconnected.

The refugee settlements' energy supply is costly, inefficient, environmentally unfriendly and a fire hazard due to the use of old and poorly maintained generators, and the ad-hoc stringing of low-hanging power lines (IFC, 2018). These inefficiencies negatively impact the productivity of enterprises in refugee settlements.

Transportation as Major Concern for Businesses

Market integration is a significant challenge, with poor transport connectivity being a major contributing factor, as it hinders the effective movement of goods and people. The survey indicated that the most common transportation mode used by businesses in Turkana West include motorbikes (*boda bodas)* at 46.9%. Other popular modes included trucks (20.6%) and *matatus*/ PSVs (15.3%). Importantly, the survey revealed that many businesses face transportation challenges, with 23% of the respondents citing poor road conditions and 21% high transportation costs as major challenges. Connectivity challenges are external and internal, i.e. local areas connecting to external markets and regions, as opposed to connections within a local area.

This study revealed a lack of a coordinated approach regarding connectivity in the local area. For instance, poorly coordinated service provision and infrastructure between the refugee settlement and host community township in Kakuma has resulted in problematic connectivity and ad hoc service provision. For example, while the Kakuma refugee settlement have some level of reticulated water, this reticulation is independently done from Kakuma Town. Likewise, roads are improved according to location (e.g. within the camps or the town), without a coordinated approach to build a well-connected road network that offer efficient mobility between the camps and the settlements. This study further noted that the Kakuma Integrated Strategic Urban Development Plan (ISUDP) does not cover the refugee settlement area, thereby reinforcing this 'binary' approach to planning and infrastructure development in the area.

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Poor road infrastructure in Turkana County and across North Rift Kenya affect supply chains across the region. For example, the resupply time for perishable food in Kakuma doubles from 1.5 days during the dry season to 3 days in the rainy season.[62] Insecurity along transportation routes compounds supply and logistics. As discussed earlier, historical marginalisation of the ASAL regions in Northern Kenya have resulted in isolation, weak economic integration, limited political leverage and a challenging economic environment characterised by regular incidences of insecurity and conflicts (Republic of Kenya, 2012).[63]

The reconstruction of the A1 Road will soon provide better transportation links between Kitale and Nakodok (via Lodwar, Kakuma-Kalobeyei and Lokichoggio), which will benefit businesses in Turkana West that rely heavily on this route for supplies.

© UN-Habitat, Dream Magical Studio

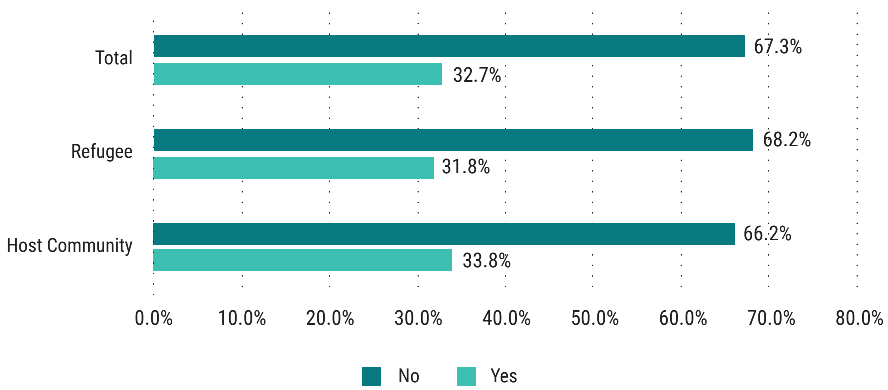
62 IFC (2018)

63 Republic of Kenya (2012). The National Policy for Sustainable Development of Northern Kenya and Other Arid Lands: Releasing our Full Potential. Nairobi.

Unreliable Water Supply and Persistent Sanitation Challenges

Turkana West is a water-scarce, arid or semi-arid area, with poorly developed water infrastructure characterised by a lack of strategic bulk water supply, resulting in overreliance on boreholes. This scarce water supply must serve competing economic and domestic needs. Most towns and settlements have poorly developed water distribution infrastructure, such as networked water supply systems, and experience water quality challenges. Many businesses rely on informal water vendors or must collect water from various water points. However, some decentralised systems of networked water supply were apparent in refugee settlements. About 67% of the surveyed businesses pay water vendors for water supply, including 33.8% of host community-owned businesses and 31.8% of refugee-owned enterprises. In the refugee settlements, water can be accessed for free at water points. Those businesses in refugee settlements which pay for water are in areas without access to a water point, and therefore incur transport costs. Overall, businesses in the refugee settlements require less time and distance to access water than those in host community towns and settlements.

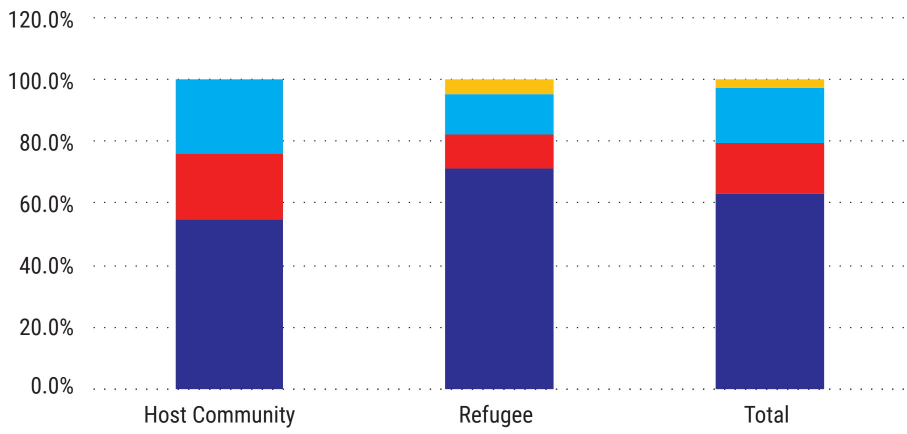
Figure 4.18 Businesses Incurring Water Expenses



Source: UN-Habitat / Turkana West Survey (2020)

Of the host community-owned businesses that pay for water services, 54.8% buy water daily, 21% weekly, and 23.3% monthly. Of the refugee-owned businesses that pay for water services, 71.1% pay for water services daily, 11.1% weekly, 4.4% biweekly, and 13.3% monthly. On average, most businesses use between 40 to 100 litres of water per day, depending on the scale of operations. Water vendors sell water at a rate of KES 10 for 20 litres. Overall, most business respondents from both the refugee and host communities cited frequent shortages and unreliability as the main water challenges impacting businesses, especially hotels and restaurants. This limits the level of investments in the area, as investors are wary of the harsh conditions. It also limits the growth of existing businesses, as the risk of incurring high water costs acts as a barrier.

Figure 4.19 Frequency of Incurring Water Expenses



	Host Community	Refugee	Total
Bi-weekly	0.0%	4.4%	2.3%
Monthly	23.8%	13.3%	18.4%
Weekly	21.4%	11.1%	16.1%
Daily	54.8%	71.1%	63.2%

Source: UN-Habitat / Turkana West Survey (2020)

Water challenges are closely linked to sanitation challenges. As noted in Volume I of this report, waste management is a major challenge in Turkana West, especially regarding the disposal of faecal matter, given the prevalence of open defection. The towns and the settlements lack an organized solid waste management system, including waste treatment facilities, and rely on dry sanitation on-site faecal disposal methods, which have proved inadequate. Improved methods of faecal disposal, such as wet systems like septic or biodigester tanks and mini-treatment facilities, are limited to NGO and INGO facilities, as well as some public facilities. Indeed, wet systems are an exception in the area, also as noted by other studies (Sustainable Sanitation Alliance, 2018).[64] Most businesses rely on unimproved faecal disposal methods, such as basic pit latrines, as improved sanitation systems are expensive and presumed to be the responsibility of local authorities (i.e. the county). The survey established that the absence of settlement-wide sanitation systems is a major barrier to investments that require efficient waste management, such as industries.

Continued Energy Access Challenges but with Increasing Interventions

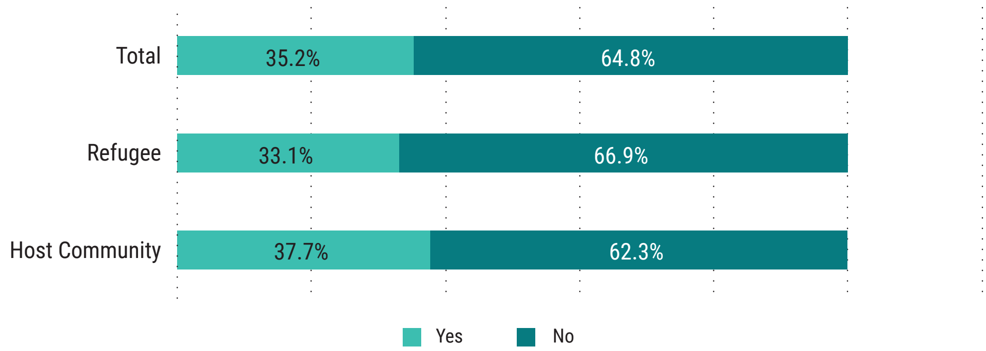
While various energy services exist in Turkana West, they fail to meet the local demands of businesses, local industries, and domestic use. Kenya Power, Kenya's main electricity utility, is the primary formal electricity provider, particularly in the main towns of Kakuma and Lokichoggio. The utility company has installed mini-grids that run on diesel-powered generators, and are now extending their service to Kalobeyei. However, the energy supply deficit in towns and settlements remains, prompting independent and often informal power producers to provide electricity through diesel-powered generators and solar units. Informal electricity services are operated as businesses, charging monthly fees for connection. Other alternatives for electricity include solar mini-grids, currently being implemented by support organizations such as the GIZ-project in Kalobeyei New Settlement.

The survey established that many MSMEs operate in such a way that their demand for electricity is very minimal, with most of their needs met by purchasing a low-cost portable solar unit.

64 SuSanA (2018). SFD Report: Kakuma Kenya. Accessed on 22/06/21: https://www.susana.org/_resources/documents/default/3-3467-7-1541602676.pdf

Of the surveyed businesses, 64.8% do not incur regular electricity costs. The proportion is higher for refugee-owned enterprises (66.9%) compared to host community-owned businesses (62.3%). Only 33.1% of refugee-owned enterprises and 37.7% of host community-owned businesses regularly pay for electricity.

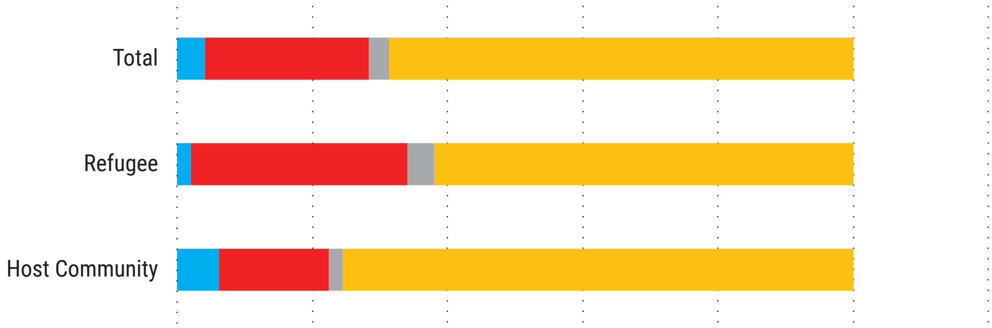
Figure 4.20 **Electricity Expenses Incurred?**



Source: UN-Habitat / Turkana West Survey (2020)

Due to camp-imposed restrictions, most refugee-owned businesses close early and do not require electricity for lighting. This is not the case for host community-owned businesses that often remain open late into the night (though during the COVID-19 period, all businesses shifted to closing before dark).

Figure 4.21 **Frequency of Incurring Electricity Expenses**



	Host Community	Refugee	Total
Daily	6.1%	2.0%	4.0%
Weekly	16.3%	32.0%	24.2%
Bi-weekly	2.0%	4.0%	3.0%
Montly	75.5%	62.0%	68.7%

Source: UN-Habitat / Turkana West Survey (2020)

The electricity produced by independent service providers is mainly used for lighting and to power low-energy appliances. There is still a major shortfall of electricity for domestic cooking, or energy intense economic activities such as restaurants or industries. Other energy sources used for cooking include paraffin oil, firewood and charcoal. According to the World Bank and the Food and Agriculture Organization (2018),[65] in Kakuma and its surrounding areas, the average wood consumption per person per day is 1kg, with approximately 192 tons of wood burned annually. The widespread availability of charcoal and firewood in the Kakuma area has served as a barrier to shifting to cleaner energy sources (Lahn &. Grafham, 2015),[66] despite the health challenges associated with these fuels.

The survey revealed a gradual, small-scale shift to affordable alternative energies such as the use of Liquified Petroleum Gas (LPG), cell torches, solar lanterns and phone torch lighting. A business aspect has accompanied this shift, including solar-powered phone charging businesses and the sale of products such as the the M-Kopa model that offers ownership to a product through flexible micro-payments.[67]

In Kalobeyei New Settlement and Kalobeyei town, solar microgrids are commercially operated by GIZ Kenya.[68] In 2019, these microgrids had 120 connections in Kalobeyei town and 500 connections in Kalobeyei New Settlement, including households, businesses, public facilities etc (Renewvia, 2019).[69]

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65 World Bank and FAO (2018). Rapid Assessment of Natural Resources Degradation in Areas Impacted by the Refugee Influx in Kakuma Camp, Kenya. Online access (16/02/2021): http://documents1.worldbank.org/curated/fr/526621571221184479/pdf/Rapid-Assessment-of-Natural-Resources-Degradation-in-Areas-Impacted-by-the-Refugee-Influx-in-Kakuma-Camp-Kenya.pdf

66 Lahn &. Grafham (2015). Heat, light and power for refugees, Saving Lives Reducing Costs. Chatham House Report for the Moving Energy Initiative. Online Access (12/03/21): https://www.chathamhouse.org/sites/default/files/publications/research/2015-11-17-heat-light-power-refugees-lahn-grafham-final.pdf

67 M-Kopa. https://m-kopa.com/

68 GIZ Kenya (2020). Mini-grid in Kalobeyei: Constant and affordable power for all. Online Access (15/03/2021): https://www.youtube.com/watch?v=f8HYzEvTfo8

69 Renewvia (2019). All Renwvia Projects. Online access (14/03/2021): https://www.renewvia.com/all-projects

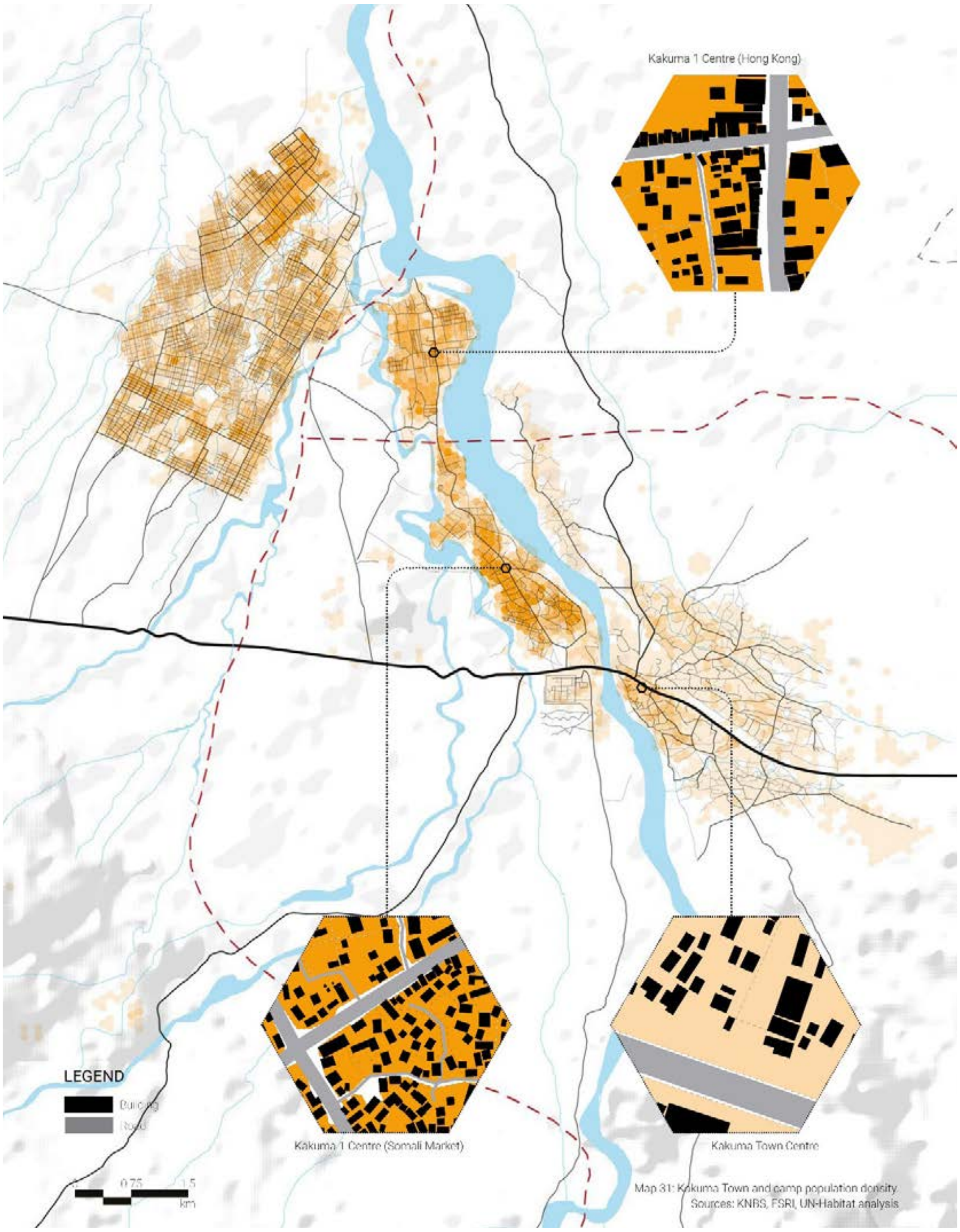
Solar pannel for a business in Kakuma. © UN-Habitat, Dream Magical Studio

Investments towards achieving energy efficiency are crucial for stimulating increased economic productivity and improving the socio-economic conditions in Turkana West. Just like water services, the inadequacy of energy to meet business needs has slowed local economic development. For example, light industries, such as welding, metal work and carpentry, are not as diversified in Turkana West as in other Kenyan towns due to the unreliable electricity services. Similarly, businesses that require cooling and refrigeration are highly constrained by insufficient energy, particularly given the prevailing hot weather conditions in the region. This stymies growth or pushes these businesses towards costly alternative energy options, making viability and diversification a major challenge. MSMEs face similar challenges in public markets, where many retailers of perishable goods suffer wastage or cannot expand businesses due to a lack of cold storage options. Although the survey established that some markets supported by WFP have invested in cold storage, major interventions are still needed.

Spatial Determinants affecting Businesses

As mentioned in 4.13, most of the land in Turkana County is unregistered community land, owned by the Turkana host community and held in trust by the county government (UN-Habitat, 2016). As such, there are fewer land access restrictions in the county. Occupying land in urban centres requires an allotment letter from the county administration and permission from elders to take possession of a certain plot. Once allotted, a surveyor will demarcate the plot before it can be used. While the Community Land Act has been in existence for several years, its operationalisation remains unclear. However, the communal land ownership system presents challenges for urban investments, as potential investors cannot secure land tenure in the form of land titles, as these do not exist in Turkana West.

Figure 4.22 Physical character of Land Developments in Kakuma



Source: UN-Habitat / Kakuma & Kalobeyei Spatial Profile (2021)

In the refugee settlements, land is allocated by the Refugee Affairs Secretariat (RAS) and UNCHR through an implementing shelter partner. As such, this informal land ownership is registered outside Kenya's formal land registration system, meaning that most financial institutions will not recognize it as sufficient collateral. Traders cannot access credit based on such documentation. Also, there are cost variations in accessing space for business among host communities. The plots considered to have documentation (e.g. allocation letters, or written authorisation from elders) retailed for about twice the plots' price without documentation.

Additionally, the absence of a functional property market in the main towns of Kakuma and Lokichoggio has led to a lack of well-constructed commercial spaces and adequate housing. As such, businesses that require larger spaces or specific building typologies must attract investors that are willing to invest in new constructions, or else seek other markets. Many businesses still operate in shacks or temporary structures. Major barriers to improving the quality of the built environment in these towns include poorly developed infrastructure and poor urban planning. The same is true of refugee settlements, where challenges related to poor planning and inadequate building quality persist. Efforts towards better planned development are underway in Kalobeyei New Settlement, however these guidelines are yet to be fully enforced, and most structures being developed are still characterised by inadequate design and building quality.

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CHAPTER 5. SUPPLY CHAINS AND REGIONAL CONNECTIVITY

Overview

Turkana West's commodity markets have substantial linkages with other markets outside the region, including Eldoret, Kitale, Kisumu, Nairobi, and eastern Uganda. These linkages directly affect businesses in Turkana West. The chapter will begin by outlining the supply chains and linkages with regional markets, then discuss the supply chains of specific commodities, including the actors and their significance, before finally highlighting the relevance of networks and associations in these linkages.

Supply Chains and Linkages with Regional Markets

The study investigated primary and alternative sources of potential value and supply chains associated with businesses. This focussed on specific commodities and services, including cereals and pulses, fruits and vegetables, livestock and meat, processed food, fish, raw materials (for sewing, embroidery and tailoring etc), electronics, hardware, and basic labour services linked to service industry MSMEs (e.g. hotels, restaurants, barbers and salons etc). This approach was informed by the prevalence of MSMEs dealing with food commodities and other regular household consumables in Turkana West.

The analysis shows that Kitale Town in Trans Nzoia County is a significant source of food commodities and other supplies sold in Turkana West. The town is also a considerable transit node between Eldoret and Kakuma. A substantial share of cereals and pulses (68.3%), fruits and vegetables (66%), processed food (73.8%), and labour for services such as hairdressers, house help, and hospitality (e.g. hotels and restaurants) are linked to Kitale, according to the businesses surveyed. Additionally, Kitale accounts for about a third of the supply of livestock and meat (27.7%), raw materials for sewing, embroidery and tailoring (27.3%), electronics (36.4%) and hardware items (36.4%). However, KIIs in Eldoret revealed that while some traders in Turkana West indicate that their goods are sourced from Kitale, they are initially supplied from Eldoret. The supply chain can be traced further back to major cities such as Kisumu, Nairobi, Nakuru and even Mombasa for imported commodities. Some businesses pointed to Uganda as a major source for some supplies, indicating that cross-border trade is important to the Turkana West economy.

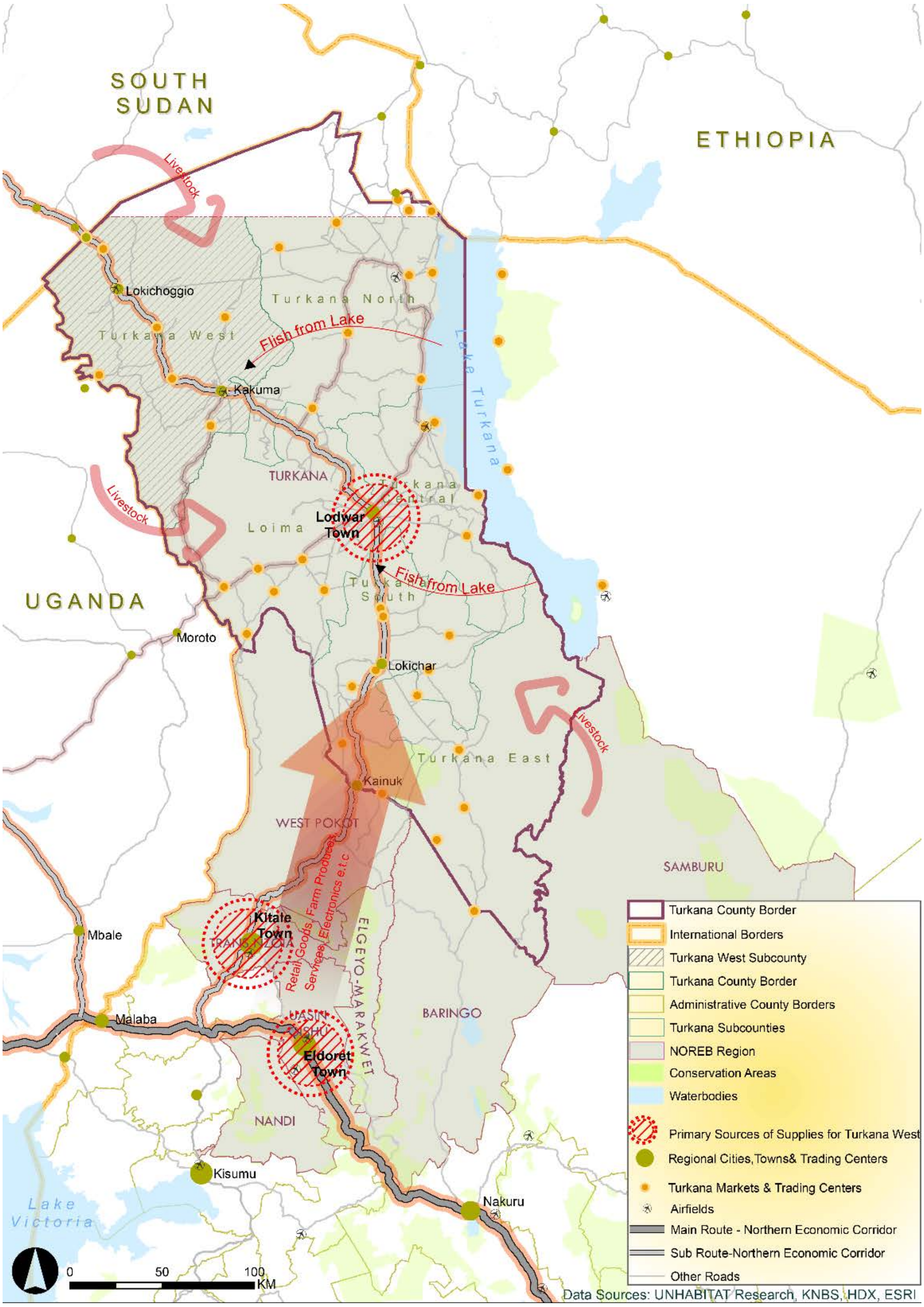
The significance of Kitale to the supply chains and food security of Turkana West have been established in other studies (see Hall, 2016). Importantly, while these urban centres are identified as major suppliers of food commodities, their rural, agricultural hinterlands are the primary production areas.

'The key source of cereals and vegetables is Kitale... The commodities are transported from Kitale to Kakuma Town Modern Market where retailers buy it wholesale then transport the supplies using 'boda bodas' to the specific markets in the settlements. On the other hand, livestock and livestock products such as meat, are the key supplies from the local area to other regions within the country such as Nairobi and Eldoret using trucks.'

— (KII with Ward Administrator, Kakuma Ward)

As such, urban-rural linkages and the system of urban centres must be at the core of debates and policy interventions related to urban food security in Turkana West. Likewise, addressing the socio-economic development of the host community in the rural areas demands an urban dimension, as the towns and the refugee settlements are the primary markets for livestock and other commodities produced in rural areas, while also offering potential alternative livelihood strategies.

Figure 5.1 Major Sources of Supplies for Turkana West Businesses



Source: UN-Habitat / Turkana West Survey (2020)

In addition to external linkages, the survey noted that internal linkages and commerce is vibrant. This is strongly linked to the wholesale and distribution that occurs in the main towns and settlements, on which smaller retailers rely on for supplies. For example, 72.7% of retailers for meat products indicated that they sourced supplies from within Kakuma Refugee Settlement and Kalobeyei Settlement. On average, 34.8% of all businesses sourced supplies within the Kakuma and Kalobeyei refugee settlements. Fish supplies account for 41.6% of this number, while electronics account for 36.4%, hardware for 36.4% and cereals and pulses for 30%. Some respondents considered Lokichoggio a source for service staff (e.g. cooks, waiters, hairdressers and childcare) (18.2%) and electronics (27.3%). Public markets in Kakuma such as the Ethiopian Market and the Kakuma Modern Market act as hubs for wholesale and distribution. Such markets can play an enhanced strategic role in the local economy, if improved with better infrastructure and facilities.

Table 5.1 **Areas reported by businesses as sources of commodities and labour**

Source (location)/ Type of Commodity or labour	Cereals and Pulses	Fruits and Vegetables	Livestock and Meat	Processed Food	Fish	Raw Material (sewing, embroidery and tailoring	Services (cooks, waiters, hairdressers and childcare)	Electronics	Hardware	Hotel and Restaurant workers
Kakuma Refugee Camp	18.3%	23.4%	63.6%	19.0%	33.3%	18.2%	18.2%	27.3%	27.3%	9.1%
Kalobeyei Settlement	11.7%	4.3%	9.1%	2.4%	8.3%	9.1%	9.1%	9.1%	9.1%	18.2%
Lokichoggio	1.7%	6.4%	0.0%	4.8%	0.0%	0.0%	18.2%	27.3%	0.0%	0.0%
Kitale	68.3%	66.0%	27.3%	73.8%	41.7%	27.3%	54.6%	36.4%	36.4%	54.6%
Kalokol	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Nairobi	0.0%	0.0%	0.0%	0.0%	0.0%	9.1%	0.0%	0.0%	0.0%	0.0%
Uganda	0.0%	0.0%	0.0%	0.0%	0.0%	36.4%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	27.3%	18.2%

Source: UN-Habitat / Turkana West Survey (2020)

As indicated by Table 5.2, there is a significant price advantage for sourcing cabbages, tomatoes and kale directly from Kitale, but most retailers must rely on distributors. Indeed, cabbage prices are lowest in Kitale at KES 40, compared to KES 80 in Kalobeyei Settlement and more than KES 100 in Kakuma Refugee Camp. Likewise, tomatoes at KES 15 (for three) in Kitale compared to KES 30 in Kalobeyei New Settlement and KES 20 in Kakuma Refugee Camp. Kakuma Refugee Settlement is price competitive in cereals, particularly maize and beans, while wheat flour, maize flour and cooking oil are at the same price is in Kitale. Prices for hardware and construction supplies such as cement, timber, iron sheets and nails are significantly lower in Kitale.

Prices differ between Kitale and Turkana West due to the poor condition of the A1 Road, which results in high transportation costs. While the connectivity is set to improve significantly with the road's impending upgrade, the impact on pricing in Turkana West markets is yet to be analysed in detail and is beyond the scope and timing of this study. The following sections of this report analyse the supply chains of select commodities and services in more detail.

Table 5.2 Prices in KES across Commodities and Markets (October 2020)

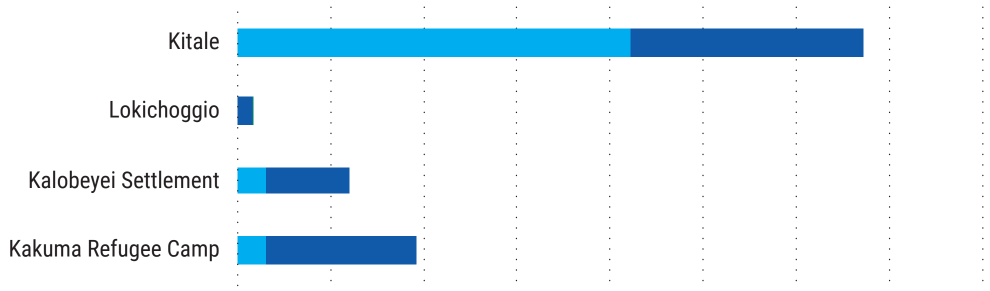
	Item	Kakuma 1 (Ethiopian Market)	Kakuma 2 (Main Street Market)	Kakuma 3 (Bantu Market)	Kakuma 3 (Lizauwa/Zubeiri Market)	Kakuma 4 (Nabek)	Kakuma Town (Soko Mjinga)	Kakuma Town (Modern Market)	Kalobeyei Settlement I (Natukobenyo Market)	Kalobeyei II (Tumaini Market)	Lodwar Market	Lokichoggio (Town's Market)	Kitale (Fresh Produce Market)
Per piece (average size in the market)	Cabbage	120	125	120	120	120	110	100	80	80	100	130	40
per 3 pieces	Tomatoes	20	30	30	30	30	20	20	30	20	20	30	15
Bunch (3 pieces)	Kales	10	10	10	10	10	15	15	10	10	10	10	20
Kg	Goat Meat	450	450	450	450	450	450	450	450	450	450	450	500
Kg	Cow Meat	350	350	350	350	350	350	350	400	350	400	400	500
Kg	Maize	40	40	40	40	45	50	50	45	45	40	45	45
Kg	Beans	100	100	90	100	110	110	100	110	110	90	110	100
Kg	sorghum	80	120	120	120	125	130	110	120	120	90	125	50
Kg	Sugar	110	100	100	130	100	135	120	90	90	100	100	120
Kg	Maize floor	60	60	60	60	60	70	60	60	60	60	70	50
Kg	Wheat floor	60	60	60	60	60	60	60	60	60	60	60	65
Litre	Milk	50	50	50	50	50	50	40	50	50	50	50	60
Litre	Cooking Oil	120	110	110	110	110	130	120	110	110	110	120	NA
50kg	Cement	1100	1100	1100	1100	1100	NA	1200	NA	1100	NA	1200	650
Ft	Timber (per foot)	50	50	50	50	50	NA	50	NA	50	NA	45	NA
Kg	Nails	200	200	200	200	200	NA	200	NA	200	NA	200	NA
2m	Iron sheets 32gauge	850	850	850	850	850	NA	850	NA	850	NA	850	NA
2.5m	Iron sheets 32gauge	950	950	950	950	950	NA	900	NA	950	NA	950	NA
3m	Iron sheets 32gauge	1000	1000	1000	1000	1000	NA	1000	NA	1000	NA	1000	NA
item	Door Mats (woven reeds)	600	600	600	650	600	700	650	600	600	600	650	NA
item	Carpets (woven reeds)	1200	1200	1200	1200	1200	1500	1500	1200	1300	850	1500	NA
item	Baskets (woven reeds)	900	900	900	1000	1000	1000	1000	1000	950	900	1000	NA

Source: UN-Habitat / Turkana West Survey (2020)

Cereals and Pulses

Cereals and pulses are popular foods in Turkana West, but local production is almost non-existent. Most businesses in Turkana West source cereals and pulses directly from Kitale (68.3%), while smaller proportions source them from Kakuma Refugee Camp (18.3%), Kalobeyei New Settlement (11.7%), and Lokichoggio at (1.7%). Cereals and pulses sourced from Kitale account for 84.4% of the product sold in host community-owned businesses, and 50% in refugee-owned enterprises. It was noted that two wholesalers in Kalobeyei New Settlement seem to control the market for these products.

Figure 5.2 Primary Source of Cereals and Pulses



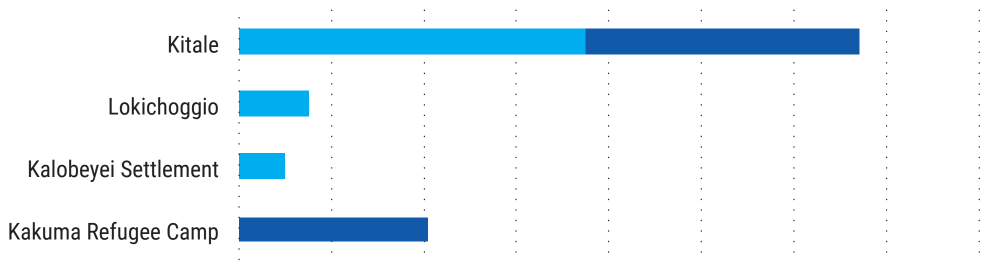
	Kakuma Refugee Camp	Kalobeyei Settlement	Lokichoggio	Kitale
Host	6.25%	6.25%	3.13%	84.38%
Refugee	32.14%	17.86%	0.00%	50.00%

Source: UN-Habitat / Turkana West Survey (2020)

Fruits and Vegetables

Businesses in Turkana West primarily source their fruits and vegetables from Kitale (66%), followed by Kakuma Refugee Camp (23.4%), Lokichoggio (6.4%) and Kalobeyei New Settlement (4.3%). For host community-owned businesses, Kitale is the dominant source of the product (75%), while 59.3% of refugee-owned businesses reporting the town as their source. There are several small farms and kitchen gardens in Kakuma 1, which account for most of the vegetables sold in both Kakuma Refugee Settlement and Kakuma town. From the analysis of price data across select markets, it emerged that kale was cheapest in Kakuma due to local production. WFP's Supply Chain Officer in Kakuma mentioned that Kakuma 1 has a horti-farm shed to enhance farming activities, and there are plans to extend this to Village 2 and 3. Kalobeyei has similar farms in Village 1.

Figure 5.3 Primary Source of Fruits and vegetables



	Kakuma Refugee Camp	Kalobeyei Settlement	Lokichoggio	Kitale
Host	0.00%	10.00%	15.00%	75.00%
Refugee	40.74%	0.00%	0.00%	59.26%

Source: UN-Habitat / Turkana West Survey (2020)

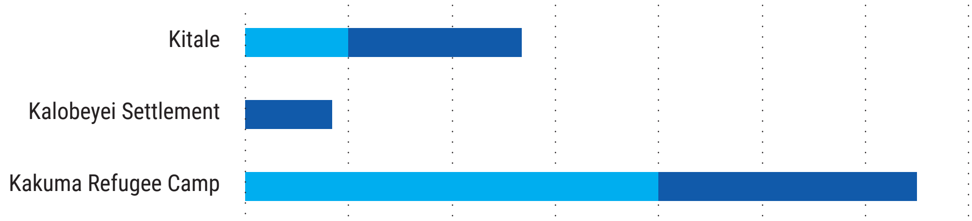
Livestock and Meat

Of the surveyed businesses that deal in meat products, 63.6% sourced them from Kakuma Refugee Camp, while 27.3% sourced them from Kitale, and 9.1% from Kalobeyei. These purchases occur in livestock markets or abattoirs, both formal and informal. The original sources of these products are usually members of the host community in Turkana West, especially for goat meat. As mentioned in Chapter 3, the presence of refugees in the Kakuma-Kalobeyei settlements has created the largest local market for host community livestock production in Turkana West. Of the refugee-owned businesses surveyed, 50% sourced their meat products from Kakuma Refugee Camp, 33.3% from Kitale, and 16.7% from Kalobeyei New Settlement. Host community-owned businesses sourced their meat products primarily from Kakuma Refugee Camp (80%) and Kitale (20%). The business KIIs and FGDs indicated that the business operating environment seems to favour refugee camps, especially for meat, as there are no licenses or fees charged for operating businesses in the camps. This stands in contrast to the host community, where businesses operating in towns must pay both fees and rent. Similar observations were noted for all types of businesses.

'There are advantages for refugees. For example, a butchery owner in town must pay rent and pay for the license, but one in the camp does not pay rent as he establishes the shop in a space allocated for free. But previously, they didn't even pay for the license. With these factors, their prices were lower, and customers preferred riding motorcycles to the camp to buy goods'.

— (FGD with Kakuma Town Business Community)

Figure 5.4 Primary Source of Livestock and Meat



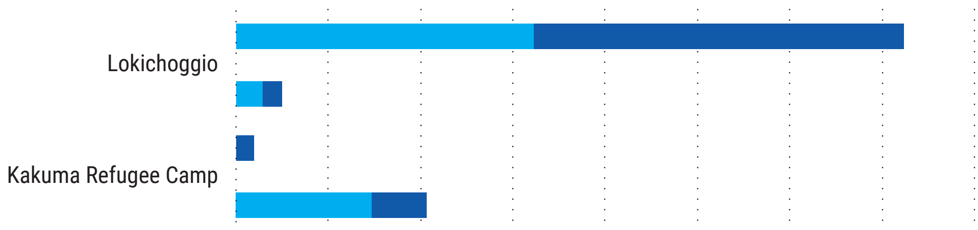
	Kakuma Refugee Camp	Kalobeyei Settlement	Kitale
Host	80.0%	0.0%	20.0%
Refugee	50.0%	16.7%	33.3%

Source: UN-Habitat / Turkana West Survey (2020)

Factory Sourced Food Supplies

Processed food was sourced from suppliers in Kitale by 73.8% of the surveyed traders, with others purchasing supplies from resellers in Kakuma Refugee Camp (19%), Lokichoggio (4.8%) and Kalobeyei Settlement (2.4%). These commodities are largely distributed by wholesalers and are not locally manufactured in Kitale. This makes Kitale a major regional hub for the redistribution of manufactured household supplies, linking the town's commerce sector directly with Turkana West and bypassing Lodwar town. It is therefore anticipated that with improved connectivity along the A1 Road, the reduction in travel time between Eldoret, Kitale and Kakuma-Kalobeyei will reinforce this bypass effect. This direct link will reduce transaction costs for traders based in Turkana West. However, this will only be the case if a large commodity market remains in Kakuma-Kalobeyei. A reduction of this market size may mean distributors prioritise Lodwar as a destination for bulk supplies.

Figure 5.5 Primary Source of Processed Food



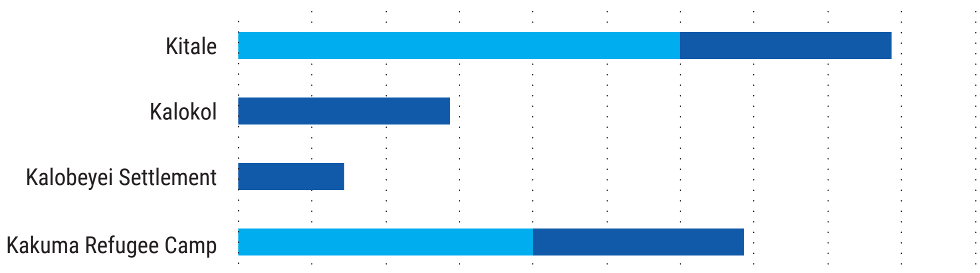
	Kakuma Refugee Camp	Kalobeyei Settlement	Lokichoggio	Kitale
Host	29.4%	0.0%	5.9%	64.7%
Refugee	12.0%	4.0%	4.0%	80.0%

Source: UN-Habitat / Turkana West Survey (2020)

Fish

Although Lake Turkana is a major source of fish in Kenya, 41.7% of fish selling businesses in Turkana West source their supplies from Kitale. Fish products from Kitale are primarily sourced from Kisumu on Lake Victoria. Others could not trace the supply chain externally but identified the local market in Kakuma Refugee Camp as their primary source of supplies. This accounted for 33.3% of the businesses surveyed, with another 16.7% sourcing their supplies from Kalokol, and 8.3% from Kalobeyei New Settlement. Kalokol is located on the shores of Lake Turkana, implying that businesses that purchase their products from here have a more direct link to the source, and those who purchase fish products from local wholesale markets are going through secondary sources.

Figure 5.6 Primary Sources of Fish Supplies



	Kakuma Refugee Camp	Kalobeyei Settlement	Kalokol	Kitale
Host	40.00%	0.00%	0.00%	60.00%
Refugee	28.57%	14.29%	28.57%	28.57%

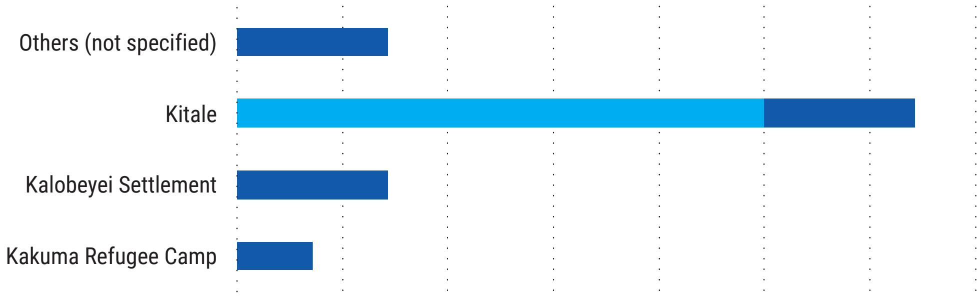
Source: UN-Habitat / Turkana West Survey (2020)

As the pastoralist Turkana host community generally prefer to eat beef, most of the fish is consumed by the refugee community. A kilogram of sardines costs KES 300, while fresh fish are priced depending on size, generally costing KES 200-400. Tilapia is the most expensive species of fish sold in the local markets costing approximately KES 650.

5.2.6 Supplies for Hotels and Restaurants

Similarly, most hotels and restaurants primarily source supplies from Kitale (54. 6%), with a smaller proportion sourcing supplies from Kalobeyei New Settlement (18.2%) and Kakuma Refugee Camp (9.1%). While host community businesses rely entirely on supplies from Kitale, those in refugee settlements have a mix of direct sourcing and local supplies, though all supplies are originally sourced from Kitale. These supplies relate mainly to crop foods, as meat products are mainly sourced locally.

Figure 5.7 Primary Source of Supplies for Hotel and Restaurants Business

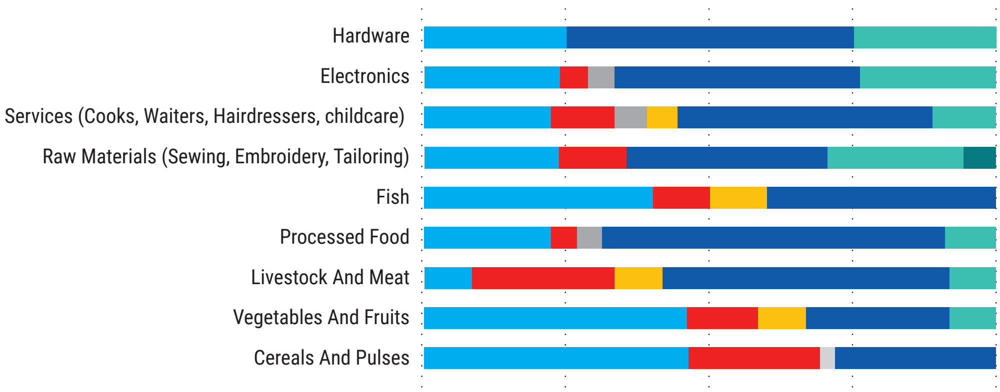


	Kakuma Refugee Camp	Kalobeyei Settlement	Kitale	Others (not specified)
Host	0.00%	0.00%	100.00%	0.00%
Refugee	14.29%	28.57%	28.57%	28.57%

Source: UN-Habitat / Turkana West Survey (2020)

The secondary source of supplies for hotel and restaurant business is Kitale 37.5%, Kakuma Refugee Camp 43.8%, Nairobi, Lodwar, and Kalobeyei settlement at 6.3% each. Again, this reinforces the significant role played by Kitale to the consumption that happens in Turkana West.

Figure 5.8 Alternative Source of Supplies for Various Products and Services



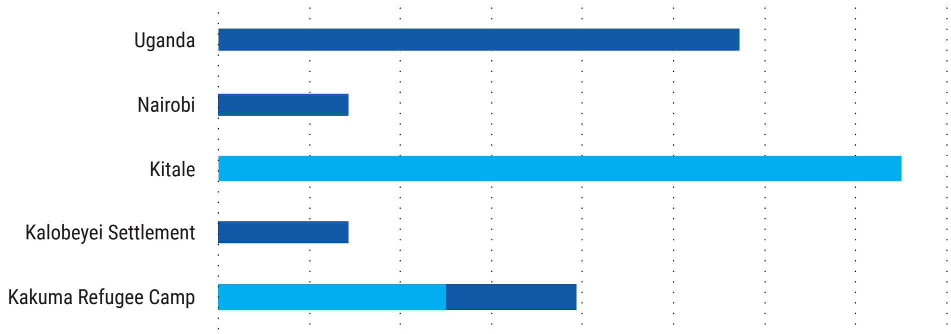
	Cereals and Pulses	Vegetables and Fruits	Livestock and Meat	Processed Food	Fish	Raw Materials (Sewing, Embroidery, Tailoring)	Services (Cooks, Waiters, Hairdressers, childcare)	Electronics	Hardware
Kakuma Refugee Camp	46.2%	45.8%	8.3%	22.2%	40.0%	23.53%	22.22%	23.81%	25.00%
Kalobeyei Settlement	23.1%	12.5%	25.0%	4.4%	10.0%	11.76%	11.11%	4.76%	
Lokichoggio	2.56%			4.4%			5.56%	4.76%	
Lodwar		8.3%	8.3%		10.00%		5.56%		
Kitale	28.2%	25.0%	50.0%	60.0%	40.0%	35.29%	44.44%	42.86%	50.00%
Nairobi		8.3%	8.3%	8.9%		23.53%	11.11%	23.81%	25.00%
Uganda						5.88%			

Source: UN-Habitat / Turkana West Survey (2020)

Materials for Apparel and Tailoring Businesses

There are numerous businesses in Turkana West that deal in apparel and tailoring, especially in the Kakuma-Kalobeyei area. These businesses require various materials that rely on external supply chains. Of the surveyed businesses of this nature, 36.4% source their materials from Uganda, in this case introducing a cross-border element. For the host community-owned businesses of this nature, the primary source of materials is Kitale (75%). The supplies from Uganda travel from Moroto town (Uganda) to Lodwar, where they are then distributed into Turkana West.

Figure 5.9 Primary Source of Raw Materials for Sewing, Embroidery and Tailoring Business



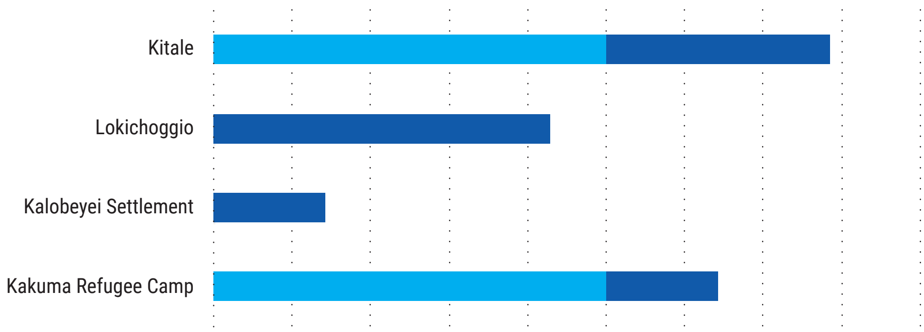
	Kakuma Refugee Camp	Kalobeyei Settlement	Kitale	Nairobi	Uganda
Host	25.00%	0.00%	75.00%	0.00%	0.00%
Refugee	14.29%	14.29%	0.00%	14.29%	57.14%

Source: UN-Habitat / Turkana West Survey (2020)

Electronics Businesses

Several MSMEs deal in electronics, which are mainly exported from China and resold by distributors in Kenya's major towns. To access these products, 36.4% of electronics businesses in Turkana West rely on distributors or sellers based in Kitale, while others rely on local distributors in Lokichoggio (27.3%) and Kakuma Refugee Camp (27.3%), as well as in Kalobeyei New Settlement (9.1%). Most of these supplies are small gadgets and appliances such as phones, radios, music players, TVs, solar units etc. It was noted that some of these products enter the local market through Lokichoggio airstrip, unlike most other products that are transported by road.

Figure 5.10 Primary Source of Electronics



	Kakuma Refugee Camp	Kalobeyei Settlement	Lokichoggio	Kitale
Host	50.00%	0.00%	0.00%	50.00%
Refugee	14.29%	14.29%	42.86%	28.57%

Source: UN-Habitat / Turkana West Survey (2020)

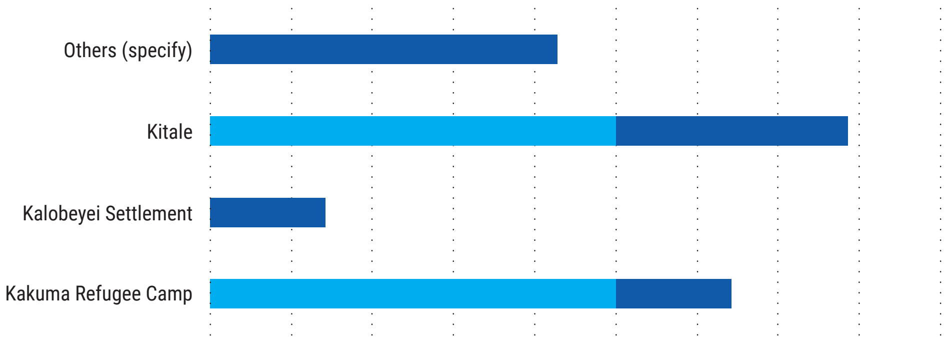
Hardware and Construction Supplies

Although Turkana West has a relatively weak construction economic sub-sector, there is growing market for construction materials since the introduction of UNHCR's 'cash-for-shelter' programme that aims to deliver durable shelter options in Kalobeyei New Settlement. However, this sector would be at risk if the refugee settlements close, as has been announced by GoK in March 2021 (UNHCR, 2021).[70] Indeed, most of the area's economic sub-sectors will likely experience negative impacts in that eventuality.

The primary source of supplies for hardware and construction businesses in Turkana West is Kitale (36.4%), Kakuma Refugee Camp (27.3%) and Kalobeyei New Settlement (9.1%), while a significant proportion did not specify (27.3%). Host community-owned businesses source primarily from Kitale (50%) and Kakuma Refugee Camp (50%), whereas only 28.6% of refugee-owned businesses source from Kitale, while 14.3% source from Kakuma Refugee Camp, 14.3% from Kalobeyei New Settlement and 42.9% did not specify.

70 UNHCR (2021). UNHCR Statement on the Government of Kenya's intention to close Dadaab and Kakuma refugee camps. Accessed on 21/06/21: https://www.unhcr.org/ke/19849-unhcr-statement-on-the-government-of-kenyas-intention-to-close-dadaab-and-kakuma-refugee-camps.html

Figure 5.11 Primary Source of Supplies for Hardware Business



	Kakuma Refugee Camp	Kalobeyei Settlement	Kitale	Others (specify)
Host	50.00%	0.00%	50.00%	0.00%
Refugee	14.29%	14.29%	28.57%	42.86%

Source: UN-Habitat / Turkana West Survey (2020)

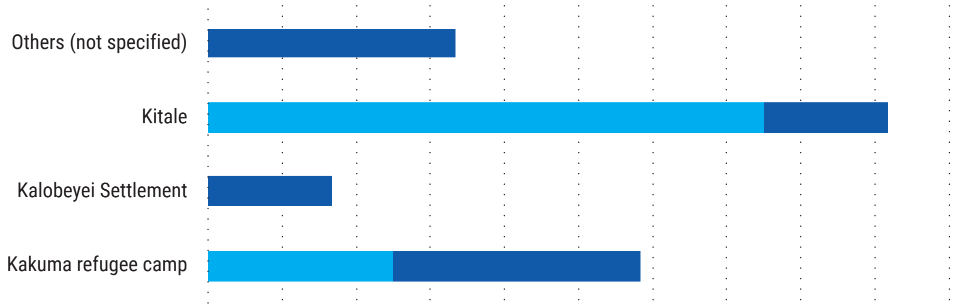
The Local Service Industry

In terms of labour for the local area services sector (including restaurants, hairdressing and childcare services), the survey showed that such businesses utilise both local and externally sourced labour. Kitale is a primary source of externally sourced labour, with 54% of the relevant Turkana West businesses sourcing labour from this town. Others indicated they rely on local labour, mainly from the main towns and centres, such as i.e. Kakuma (18.2%), Lokichoggio (18.2%) and Kalobeyei New Settlement (9.1%). Host community-owned businesses mainly sourced labour from Kitale (75%) and Kakuma Refugee Camp (25%), including cooks, waiters, hairdressers and childcare workers. Refugee-owned businesses also sourced labour from Kitale (42.9%), Lokichoggio (28.6%), Kakuma Refugee Camp (14.3%) and Kalobeyei Settlement (14.3%). In the labour market, refugees are comparatively cheaper to hire than members of host community and have a reputation for friendlier attitudes towards work and business. However, migrants are the leading supplier of labour in Turkana West due to the business and movement restrictions placed on refugees.

Other Supply Flows

In addition to the goods and services analysed above, other forms of businesses also pointed to Kitale as their primary source of supplies. It is evident that Kitale has a strong direct linkage with businesses and the local economy in Turkana West. Locally, Kakuma-Kalobeyei remains a significant local distribution point.

Figure 5.12 Primary Source of Supplies for Other Businesses



	Kakuma Refugee Camp	Kalobeyei Settlement	Kitale	Others (not specified)
Host	25.00%	0.00%	75.00%	0.00%
Refugee	33.33%	16.67%	16.67%	33.33%

Source: UN-Habitat / Turkana West Survey (2020)

Key Actors and their Significance

The presence of refugees in Kakuma-Kalobeyei has led to the influential presence of non-traditional actors in the local economy, namely the INGOs and NGOs operating in the area. Their active involvement in the local economy has created a governance structure uncommon in other towns of Kenya. In Turkana West, economic sectors, including supply and value chains, have a close relationship with the humanitarian financial assistance that circulates in the local economy. The purchasing power of refugee households is especially dependent on financial aid from INGOs and NGOs. Even the few large businesses in the local economy generally have direct links to these financial inflows. In terms of the administration and institutional environment, government and non-government agencies affect businesses and supply chains in different ways.

Major Wholesalers and Transporters

The commodities traded by most businesses in Turkana West are brought to the market by transporters who operate along the Eldoret-Kitale-Lodwar-Kakuma-Lokichoggio route. Locally, *boda boda* operators play a vital role in the local distribution of goods, with some businesses owning a motorbike or bicycle for their transportation needs. Some long-distance transporters are part of the operations of large suppliers or wholesalers, whereas others are externally contracted. However, there are some MSMEs that have established networks with public transport system and smaller transporters such as those operating informal taxi and light commercial vehicles between Kitale and Turkana West. Otherwise, the dominant five wholesalers control incoming supplies to Turkana West's markets and maintain a controlling stake (about 69%) in most of the locally consumed commodities (Betts et al, 2019).

.... the local economy is highly dependent on aid. Unemployment levels are very high and the few who have a job are usually hired by INGOs or NGOs as incentive workers. Businesses are many but the most successful ones are the five main wholesalers who benefit from their oligopoly position and the 248 food retailers contracted by WFP as part of the Bamba Chakula programme.

— (Betts, et al., 2017)*

** Betts, Alexander, Omata, Naohiko, Rodgers, Cory, Sterck, Olivier, Stierna, Maria (2019), The Kalobeyei Model: Towards Self- Reliance for Refugees ? (Oxford: RSC)*

'The county government comes in because we have to acquire trading license...for transporters, I pay KES 10,700 per year and sometimes takes long to finally get the license even after depositing the amount through their phone-based platform.'

— (FGD with Transporters, Kakuma Town)

These businesses have the capacity to source goods in bulk and resell them to local retailers. However, various traders interviewed in this survey indicated that most of these wholesalers also double as retailers, offering comparatively lower retail prices that make their operations highly competitive against smaller retailers. Indeed, some traders noted that many consumers prioritise buying at these large businesses (especially when monthly cash transfers have been disbursed) and only resort to small business when faced with cash flow problems and seeking to buy on credit. For example, in Kalobeyei, 'a staggering 89% of sampled households are indebted towards their retailers' (Sterck et al, 2020).[71] This can be linked to the analysis in Chapter 4 that showed that incomes from many MSMEs are relatively low, implying that the purchasing power of local households is also very low, thereby exacerbating their dependence on financial aid.

Local Retailers

Local retailers, who comprise the majority of MSMEs, are at the end of the supply chain and are geographically distributed across the settlements. As mentioned earlier, many of these retailers operate in public markets. However, most of these markets lack vital infrastructure and facilities such as adequate storage. Indeed, the absence of cold storage in most of the markets often results in losses and wastage of food supplies, especially the fresh food such as vegetables. This exposes the need for investments in the right infrastructure and facilities required by traders operating at the various levels of the supply chain.

County Governments

In Kenya, county governments are charged with the regulation of local markets and supply chains within the county boundaries. They levy fees in local markets that can determine who participates in trade at the local level, and issues business licenses. Importantly, transporters that pass-through counties are charged fees, which increases costs related to logistics. Given that most supplies come from Kitale, and even further from Nairobi, transporters incur multiple fees as they cross the different counties. The lack of harmonised tariffs across the counties, including those within NOREB, is a major factor that contributes to increased costs, therefore leading to higher prices for commodities by the time they arrive in Turkana West.

Besides their regulative and administrative role, county governments are also charged with a critical role of infrastructure delivery. As discussed in 4.16.1, poor market and connectivity infrastructure in Turkana West negatively affected supply chains. For instance, prior to the reconstruction of the A1 Road, traders incurred losses or high costs related to costly fleet management, delays that resulted in losses and wastage of fresh food supplies, and security management challenges along the unimproved route. Within Turkana West, poorly developed infrastructure (especially roads, energy, and market facilities) contributes significantly to disruption of supply chains. As such, ensuring effective supply chains in Turkana West will require investments in good infrastructure, beyond mere administrative and institutional interventions.

71 Sterck, O., Rodgers, C., Siu, J., Stierna, M. F., and Betts, A. (2020). Cash Transfer Models and Debt in the Kalobeyei Settlement (Oxford: RSC). Accessed on 21/06/2021: https://www.rsc.ox.ac.uk/publications/cash-transfer-models-and-debt-in-the-kalobeyei-settlement/@@download/file

This will require the coordination of the county governments along the supply chain routes and partnerships with both private sector and humanitarian-development support organizations operating in the region.

International Organizations

As mentioned above, the presence of refugees in Turkana West has been accompanied by significant programming by INGOs, including UN agencies, who have had a direct impact on the local economy. One of the most influential organizations is WFP, which performs a vital role in the aid-dependent economy of Kakuma-Kalobeyei. Through its support programs such as Bamba Chakula, cash is injected, boosting local markets. WFP's County Strategy [72] focusses on four strategic results: ensuring everyone has access to food; ensuring food systems are sustainable; strengthening counties' capacity to achieve the Sustainable Development Goals (SDGs); and a sharing of knowledge, expertise and technology to enhance the support of global partnership to national efforts to achieve SDGs.

WFP's involvement in Turkana West's economy involves the following:

- **Cash injection into the local economy –** With the shift from in-kind food assistance to Bamba Chakula, and now Bamba Chapa (through Equity Bank Transfers), the organization's financial support to refugees has enabled increased circulation of cash in the local economy, resulting in higher transactions and growth of certain businesses.

- **Value chain identification and development –**WFP's immediate goals are to ensure the reliability and effectiveness of commodities supply by investing in local producers to boost/increase local food production. Commodities supplied through WFP intervention include vegetable oil, super cereal, porridge flour and cereals. These cereals include rice, flour, beans etc. Most of these products are sourced from outside Turkana West.

- **Ensure food supply and provision systems are sustainable –** WFP often intervenes in markets by providing pricing guidelines and organizing negotiations between the dominant wholesalers and retailers (Betts et al, 2019). While this kind of intervention has helped ensure stable market prices, it nevertheless is a market control that would disrupt the local market for some time if it should disappear. There is a concern for the self-reliance capacity of the local economy, should such organizations exit the local scene.

- **Infrastructure Support –** Besides supporting logistics and market stability, WFP also supports the development of critical infrastructure necessary for supply chains and trade. For instance, three fresh food markets have been constructed through WFP support – two in Kalobeyei New Settlement and one in Kakuma town, benefitting over 300 traders from the refugee and host communities (WFP, 2020). [73] This was aimed at improving the trading environment and facilities that promote increased efficiency in the handling and redistribution of food supplies. It has also helped other players with commodity sourcing and delivery. Additionally, WFP manages warehouses in Kakuma, supporting logistics and the handling of certain food commodities.

- **Capacity Development –** WFP provides training for market players (especially retailers) to better understand the commodities they are trading in, including storage to increase shelf life, inventory management etc. Studies done by WFP indicate that this training has improved trading in the local area.

- **Periodic Monitoring of Markets –** WFP periodically monitors the markets, especially to gather information about how they respond to various stimuli, e.g. how COVID-19 affected commodities movement and how best to manage issues arising from this. WFP shares this information with partners to improve interventions.

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72 https://docs.wfp.org/api/documents/WFP-0000119454/download/?_ga=2.71168599.6974208.1603436029-212593642.1603436029

73 WFP (2020). Kenya Country Brief: October 2020. Accessed on 24/06/21: https://docs.wfp.org/api/documents/WFP-0000121681/download/

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Another critical organization in the supply chains and the local economy is UNHCR, whose operational policies have significant implications for the business environment and LED in Kakuma-Kalobeyei. For instance, through increased uptake of cash-based solutions in its programming, i.e. 'UNHCR Cash for Shelter' and 'UNHCR Core Relief', the agency has helped stimulate local economic activities. This has had a particular effect on the construction sector in refugee settlements, which was subdued for a long time due to the outsourcing of shelter provision. UNHCR is also investing in livelihoods programming that aims to ensure households can access adequate necessitates such as food, water, shelter and clothing. This is significant in shifting the local economy from its current aid-based structure to a feasible development-oriented economy. Additionally, UNHCR and RAS manage the movement of refugees in and out of the settlements. These movements are particularly significant for refugee-owned businesses.

National Government

The national government plays a crucial role in developing the strategic regional infrastructure that connects Turkana West to the rest of Kenya and the cross-border region. Historically, such investments have been lacking in Turkana West and Turkana County. However, as mentioned earlier, the national government is embarking on two crucial infrastructure projects: the reconstruction of the A1 Road (with its associated fibre optic cable) and the LAPSSET project. The A1 Road will soon be completed and will significantly boost logistics and connectivity between Turkana West and the NOREB region and the rest of Kenya, integrating the sub-county with the Northern Economic Corridor.

Box 5.1 WFP cash-based programs in Kakuma-Kalobeyei

Bamba Chakula and Bamba Chapa Cash-Based Programmes

Bamba Chakula ('Get Your Food') is a programme introduced by WFP in 2015 to provide support through direct cash, rather than through physical food rations. Initially, this was a voucher system where a half (50%) of food baskets were given to beneficiaries as cash and the rest as food rations – mainly cereals and oils based on minimal daily nutritional requirements. As such, the 50% Bamba Chakula would meet half of a person's nutritional needs, with the rest being given in cash. The programme switched to cash disbursement to improve local markets. At the start in 2015, the programme began with an initial transfer of KES 100 per person/month in Kakuma, using Safaricom SIM cards. Nevertheless, under Bamba Chakula, beneficiaries must purchase commodities from the limited number of shops that WFP has contracted with.

Over time, a new approach was designed and piloted in Kalobeyei New Settlement. This is the Bamba Chapa ('Get Your Cash') programme, which is considered more flexible. Bamba Chapa is implemented in partnership with Equity Bank to provide beneficiaries with ATM cards, so as to access cash through the ATMs in Kakuma town or through Equity Bank agents in Kalobeyei New Settlement. Beneficiaries receive KES 1,400 per person/month. This allows beneficiaries to make more flexible spending decisions, giving them the opportunity to purchase items from a wider variety of retailers, which provides a major boost to businesses not contracted with Bamba Chakula. This provides greater benefits throughout the local economy in Kakuma-Kalobeyei.

However, both programmes have been found to lock households in a cycle of debt, as enrolment in these programmes is sometimes used as collateral to obtain goods on credit from retailers. Consequently, many households become 'locked' to the same retailer, limiting the intended flexibility of unrestricted cash transfers. This also distorts the market, as many beneficiaries are unable to compare prices because the retailers hold their cards as collateral. Additionally, reselling food to access cash remains prevalent despite the shift to unrestricted cash benefits, which is largely attributed to retailer-beneficiary debt relations (Sterck et al, 2020).

'...because of indebtedness, many of the intended benefits of Bamba Chakula and of the later switch to unrestricted cash have gone unrealised. Very few refugees actually receive cash from Equity agents. A staggering 89% of South Sudanese households under the Equity programme have never withdrawn cash. Of these, 90% are in debt.'

— (Sterck et al, 2020)

Sources: WFP (n.d). Bamba Chakula: Delivering Digital Cash in Kenya's Refugee Camps.Sep/Oct 2015 Update. Accessed on 27/06/21: https://cdn.wfp.org/wfp.org/publications/Bamba%20Chakula%20update%20Sep-Oct%20 2015.pdf

Sterck, O., Rodgers, C., Siu, J., Stierna, M. F., and Betts, A. (2020). Cash Transfer Models and Debt in the Kalobeyei Settlement (Oxford: RSC).

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National government agencies are also mandated to manage cross-border trade and movement. In Lokichoggio, the immigration department processes labour movement in and out of the country, while the Kenya Revenue Authority (KRA) runs a customs office. The operations of these agencies are anticipated to scale-up as the newly constructed A1 Road stimulates increased trade flows and movement between Kenya and South Sudan through Lokichoggio.

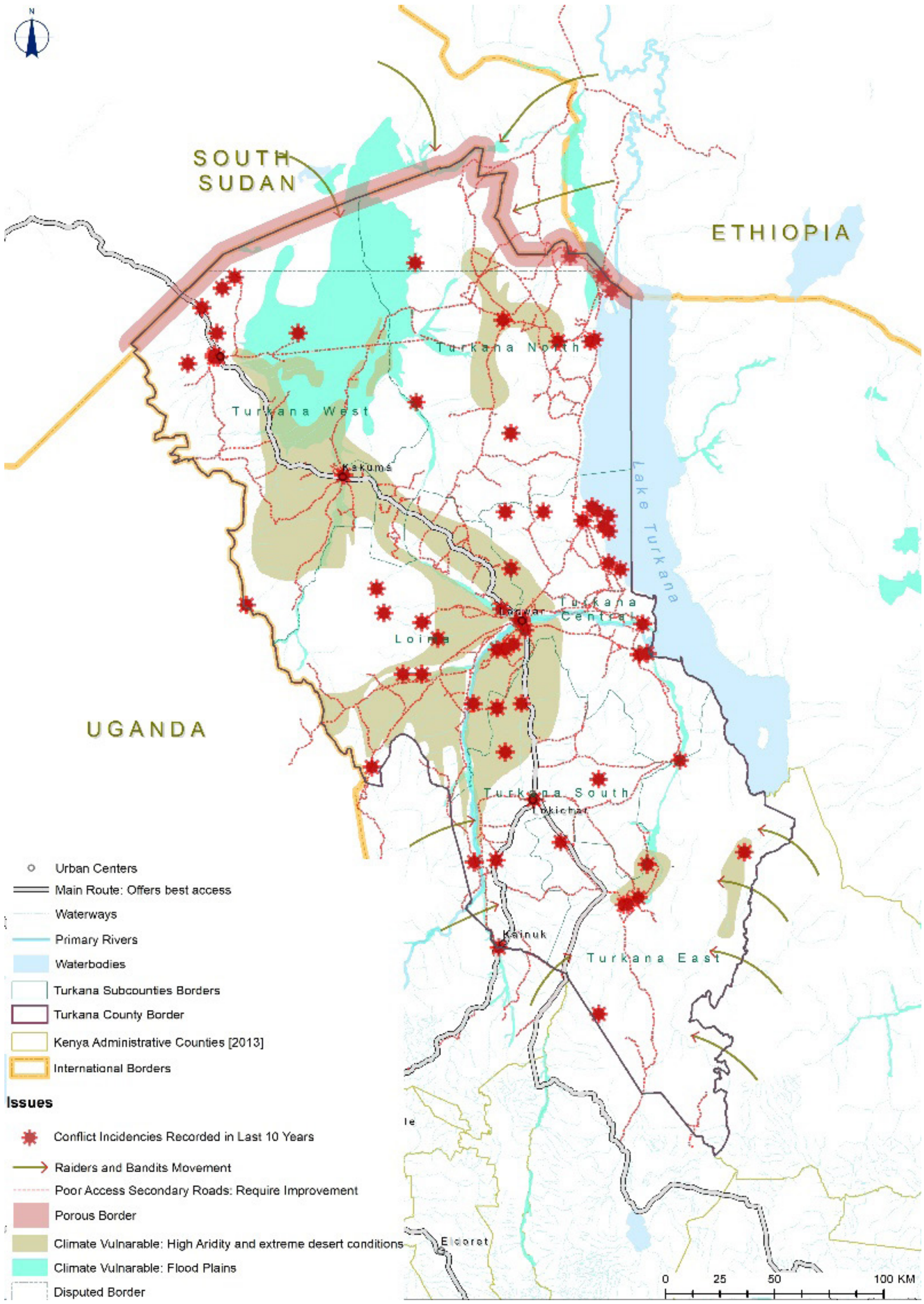
> 'We deal with cross-border trade in terms of goods moving in and out of the country. We verify if these goods meet national standards for export or import. We also check the legality of all goods.'
>
> ***— (KII with KRA Customs Officer, Lokichoggio)***

The Kenyan Government's Refugee Affairs Secretariat (RAS) also works closely with UNHCR and other support agencies in Kakuma-Kalobeyei. RAS is governed by the Refugee Act (2006) which empowers the agency to administer the affairs of refugees including their registration and movements. In close coordination with UNHCR, RAS facilitates the movement of refugees by issuing of movement permits, including for business trips in and out of the camps. However, this study noted that movement passes for business reasons are rarely issued, creating additional barriers for refugee-owned businesses. These include supply chain barriers, as sourcing supplies directly from dealers in other towns is often more profitable than sourcing them from local distributors.

> 'It is one in a million who get [a movement pass]. For me, I got it when sickness had visited my home, and I went through a top RAS official. I had to get a letter from the hospital and UNHCR.'
>
> ***— (FGD in Kakuma Refugee Camp)***

Security is another national government function (in coordination with county governments) that impacts value and supply chains both within markets in Turkana West and regionally. Insecurity coupled with poor road connectivity increases transaction costs for businesses and operators. Bandit attacks and violent conflicts along the transportation routes that link Eldoret and Turkana West result in transporters charging higher fees due to increased safety risks.

Figure 5.13 Conflict-Prone Areas in North Rift Kenya



Source: UN-Habitat / Turkana West Survey (2020)

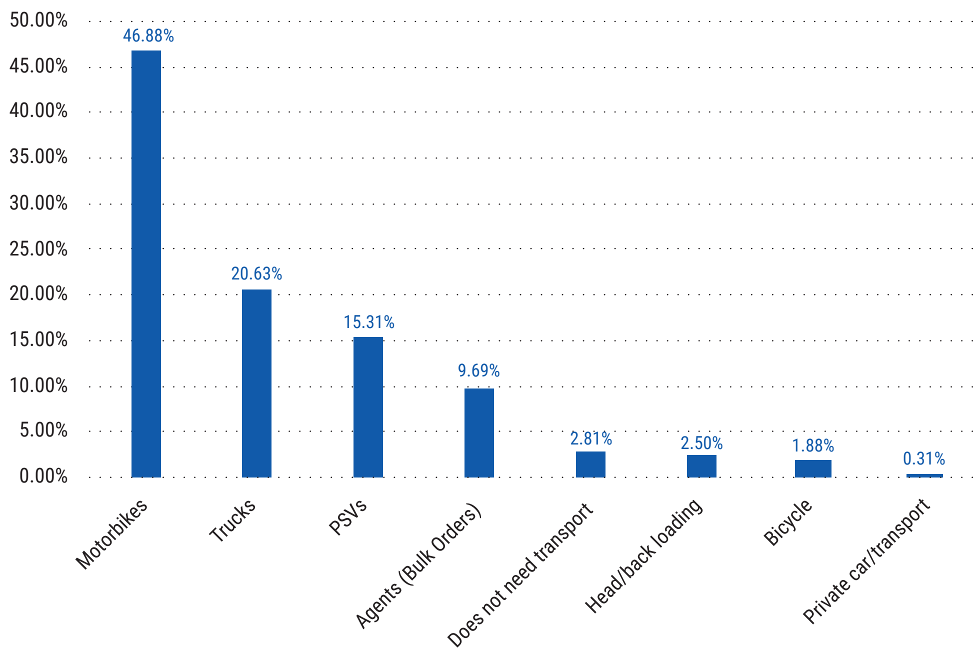
Connectivity and its significance to Supply Chains

As mentioned in earlier, one major disadvantage that affects Turkana West's economy and development is the poor connectivity and integration it has with the region. The recent reconstruction of the A1 Road will provide the only graded road in the region that is accessible during all seasons. All other roads, including crucial internal roads, are poorly paved and lack crucial engineering like bridges. This hinders the movement of people, goods and services, including the marketing of livestock products – the county's major primary production. Many respondents interviewed during the study identified flooding as a significant challenge affecting local transportation, due to the region being relatively flat and lacking well-engineered roads.

> 'In terms of the connectivity of the region, the A1 Road is the only passable road during the rainy season... we do not have roads between Kalobeyei and Kakuma that are in good condition… We only have earth roads connecting Kalobeyei to other regions.'
>
> ***— (KII with Ag. Director, Infrastructure and Transport, Turkana County)***

According to survey findings, motorbikes are the dominant transportation service for most businesses in Turkana West at 46.9%, while trucks offered service to 20.6% and *matatus*/PSVs were used by 15.3%. Others (9.7%) rely on agents especially for bulk orders, but they did not define the exact mode of transportation these agents use. But these still get affected by extreme weather conditions that cause flooding and sometimes cuts-off certain roads. This disrupts supply chains and compels the affected business to record lower sales, and even losses.

Figure 5.14 **Type of transport services used by businesses**



Source: UN-Habitat / Turkana West Survey (2020)

Business Networks and Associations

Developing a business in Turkana West requires business networks and associations. In this project, potential business associations and organized groups were identified, and stakeholders engaged in the following sub-sectors:

Communities of Interest/ Business Associations:

- Association of Public Markets
- Association of Light Industries
- Association of Livestock Producers and Farmers

Self-Organized Groups:

- Apparel, Beadwork and Basketry self-organized group
- Fresh produce dealers self-organized group
- Turkana West Integrated Saving and Credit Cooperative

The Kenya National Chamber of Commerce and Industry (KNCCI) is the largest formal business network in Turkana County, with 1600 members, with 431 of those members in Turkana West. The role of KNCCI is to support the growth of businesses. KNCCI has a memorandum with the County Government of Turkana to develop a platform of local economic development that will bring together all stakeholders, including UN agencies, to act in concert to support the growth of businesses. Already, KNCCI has partnered with several private sector organizations such as Equity Bank and Mastercard to provide financing to MSMEs.

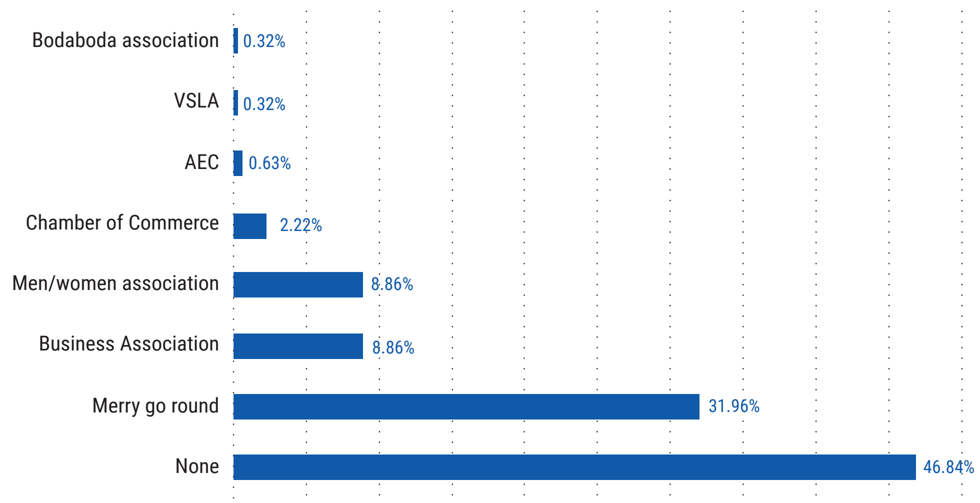
Other associations in the business community include Fresh Produce dealers, Handicraft Industries, and SACCOs, such as the Turkana West Integrated Savings and Credit Co-operative Society (TWISACCO), Livestock Cooperative, chamas (informal micro-savings groups), among others.

Members of these associations make deposits, pooling funds as a savings and networking strategy to acquire economic assets. Other networks include rotating contributions, women's groups and men's groups that support businesses in Turkana West.

> 'We have the bodaboda chama where we give KES 5,000 per week. Every week a member is given all the contributions, and it helps people own motorcycles. We are 57 members.'
>
> ***— (FGD in Kakuma Refugee Camp)***

The study indicated that 47% of business-owners are not part of a business network. However, of the associations respondents said they were members of, 32% were merry-go-round networks, 8.9% were business associations, and 8.9% were gender-based associations (i.e. men's or women's groups). This implies a need to incentivise the establishment of more business networks and associations.

Figure 5.15 **Various Business Networks in Turkana West**



Source: UN-Habitat / Turkana West Survey (2020)

> 'A total of six business associations have been formed in Kalobeyei settlement comprising of 187 members, 84 of them female, from the refugee and host communities. These include: Bodaboda Riders Association, Bodaboda Owners Association, Retail Shop Owners Association, Service Industry Business Association, Food and Restaurant Business Association, and the Handicraft Women Association.'
>
> ***— UNHCR (2017)****
>
> ** UNHCR (2017). FACT SHEET: Kenya / 01- 30 September 2017. Accessed on 21/06/21: https://www.unhcr.org/ke/wp-content/uploads/sites/2/2017/10/Kenya-Operation-Factsheet-September-2017-.pdf*

Leveraging Opportunities for Local Production of Food Commodities

As discussed earlier, food supply chains are dependent on production in Kitale and the wider NOREB region, especially Eldoret in Uasin Gishu County. Yet, the potential exists to produce some foods locally, as demonstrated by the pilot horticulture farms in Kakuma and Kalobeyei New Settlement. Suggested value chains with potential for local production in the area include tomatoes, aloe vera, hides and skins, meat, cereals (Hall, 2016) and peanuts (IFC, 2020).[74]

However, investing in local value chains and making these products competitive with those sourced from Kitale requires certain conditions. For example, challenges facing the value chain for tomatoes include rivalries over land, limited farming space, pests and disease. Other challenges include the need for fertilisers and pesticides, recurring water shortages, absence of soil testing facilities, lack of cooling and post-harvest handling facilities, high costs of feeds for livestock, poor access to capital and finance, produce that does not meet the standards of regional and international markets and limited inclusion of women in the value chain. Fundamentally, to be competitive with food sourced from Kitale, there is a need for a water supply capable of supporting agricultural, production and support infrastructure (e.g. irrigation, mechanised farms, cool storage facilities etc.) and improved institutions (e.g. training and financing mechanisms for farmers etc). Local production would enhance self-reliance and can potentially be scaled-up as agribusiness (IFC, 2020), which would mark a major shift away from the current aid-dependent economy.

The COVID-19 Pandemic's Impact on Businesses and Supply Chains

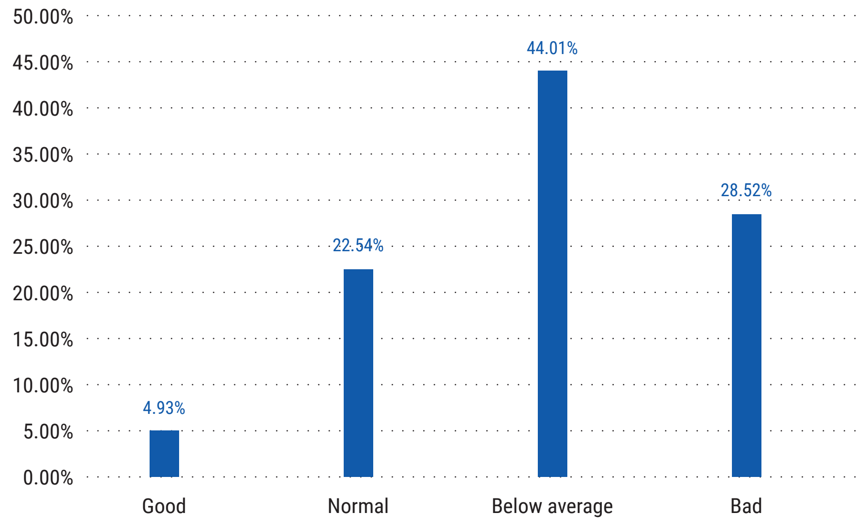
The COVID-19 pandemic has significantly impacted the operations of most businesses across the country. According to the World Bank (2020), Kenya's economy has shed between 0.6 to 1.5% of GDP, with a significant impact on transportation and storage, education, accommodation and food services. Sectors that have been impacted somewhat less include manufacturing, construction, wholesale and retail trade, public administration and defence, mining and quarrying. There is suppressed demand for financial and insurance services, real estate and other services, however there is increased demand for health services (human health and social work). Generally, the services and manufacturing sectors are the worst impacted by COVID-19.

The survey established that 28.5% of surveyed businesses reported bad performance during this time, while 44% reported below average performance. Only 22.5% reported average/normal performance, while just 4.9% reported good performance. Poor performance can be attributed to disruptions of the supply and value chains for various products and services. Respondents said that the biggest effects COVID-19 had on their businesses were decreased business due to government-imposed restrictions and curfews (34.6%), increased commodity prices (24.7%), increased transport costs (19.6%), and interruptions, such as delays and scarcity in the flow of commodities (16.9%). The COVID-19 pandemic has effectively led to reduced business productivity and job losses.

74 IFC (2020). Feasibility Study on Quality and Quantity of Water for Commercial Use in Kakuma Refugee Hosting Area, North-western Kenya Final Report – Vol. 1 – Main Report – IFC-7195196 – December 2020. Unpublished Report.

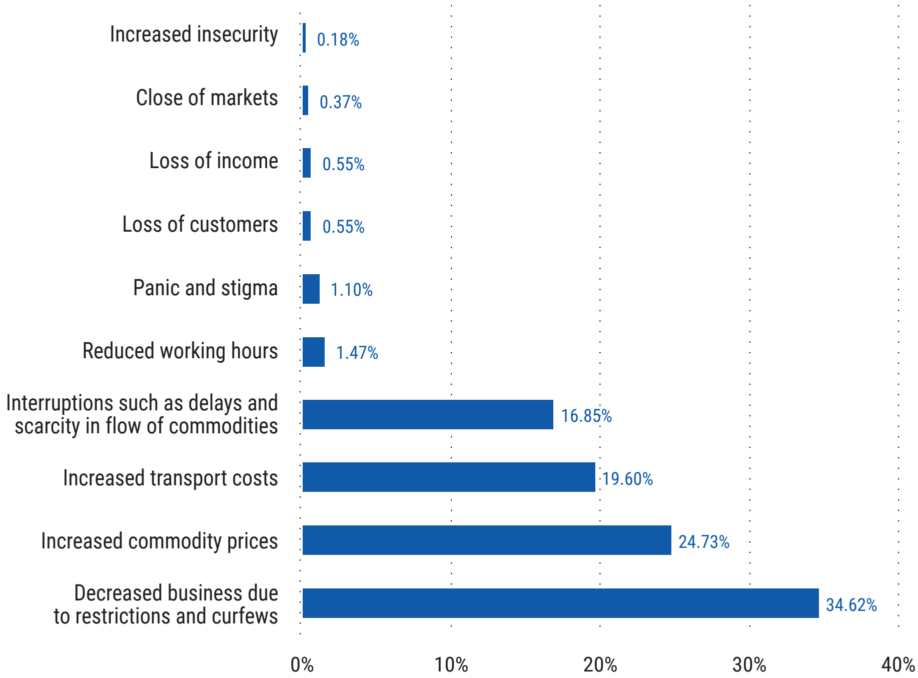
In particular, the study found that customers' purchasing power has been diminished due to massive job losses in the local informal sector. Government curfew regulations and movement restrictions affected the operation and profitability of many businesses, particularly affecting sales. Many respondents said these restrictions led to downturns in business and, in some instances, closure.

Figure 5.16 **Business Performance over the Last Six Months Before October 2020**



Source: UN-Habitat / Turkana West Survey (2020)

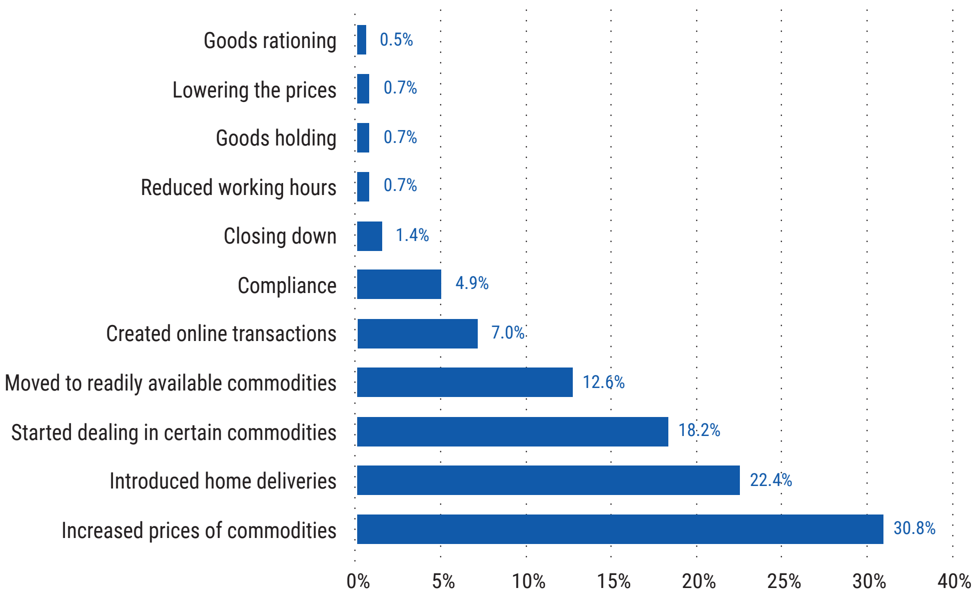
Figure 5.17 **COVID-19 Impacts on the Flow of Commodities**



Source: UN-Habitat / Turkana West Survey (2020)

Businesses said they coped with the pandemic through various measures, mainly by increasing prices of commodities (30.8%), introducing home deliveries (22.4%), specialising in high-demand items (18.2%) and shifting to more readily available items to minimize reliance on external sourcing (12.6%). Other coping mechanisms included starting online transactions, lowering prices, reducing working hours, laying off employees and goods rationing.

Figure 5.18 **COVID-19 Coping Mechanisms for Businesses**



Source: UN-Habitat / Turkana West Survey (2020)

WFP's supply chain officer in Kakuma indicated that its measures to stabilise commodity prices and avoided rushed price hikes, including interventions in local food markets, have been largely successful. This has been supported by a return to normalcy among suppliers, and Turkana County's policy of giving a three-month levy-free holiday for business operators due to the pandemic's disruptive impact.

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CHAPTER 6. EMERGING ISSUES AND RECOMMENDATIONS

Overview

To fully understand the business and economic development challenges confronting Turkana West, it is necessary to go beyond economic factors, such as availability of land, skilled labour, or capital, and consider the underlying issues. The interviews conducted for this study elucidate these challenges in the context of the political economy, revealing issues of governance, environmental and resource management, inclusion and inequalities, security and infrastructure provision. An understanding of these underlying issues is crucial for shaping the socio-economic development of Turkana West. This chapter will summarise the key challenges facing businesses and LED in Turkana West, then offer a set of recommendations. These recommendations emphasise the need for a long-term development outlook for the area, beyond the current dominance of humanitarian programming. The planned closure of refugee camps, announced recently by the national government, suggests that refugee settlements cannot be considered a long-term solution in Kenya, so it is inevitable and imperative for stakeholders to imagine Kakuma-Kalobeyei beyond humanitarian interventions.

Emerging Issues and Recommendations for Enhancing LED

In many ways, Turkana West offers a unique and vibrant economy for businesses among refugees and host communities. However, this survey has revealed that the business environment presents several opportunities and constraints. Emerging issues and recommendations covered in this chapter relate to:

- Reliance on refugee economy and its implications for the long-term development
- Capacities to grow businesses
- Integrated solutions to socio-economic development
- Environment and natural resources management
- Infrastructure development and reliable basic services
- Spatial planning and land management
- Regional insecurity context and its impact on businesses
- Local governance

Reliance on Refugee Economy and its Implications for the Long-Term Development

As mentioned earlier, the presence of refugees in Turkana West creates a unique socio-economic context. Their presence in Kakuma over many years has created a local economy that is heavily reliant financial flows that target refugee assistance, such as those by donors and support organizations. Conversely, there have been very few investments to support socio-economic sustainability in the event that refugees are no longer present and the settlements close. Lokichoggio, a once a thriving town that depended on refugee programming, has witnessed a decline in its economic fortunes in recent years following the closure of refugee operations in the area. As it stands, such events are highly likely to replay in the Kakuma-Kalobeyei area should the refugee camps be closed or significantly downsized.

While the recent investments present opportunities for Turkana West, such as linking South Sudan and Kenya through LAPSSET and the A1 road construction, they will only result in economic transformation if complemented by local investments at the required scale targeting livelihood enterprises and socio-economic welfare. This means a shift in programming towards long-term developmental interventions. It requires investing in a future town capable of providing adequate basic services, social amenities, and offering economic opportunities for the youth, and viable alternative livelihood enterprises for pastoralists and the host community.

While many refugees will not necessarily wish to remain long-term in Kakuma-Kalobeyei, a number may find the area attractive if the necessary interventions are undertaken to model a sustainable town. Like young people anywhere in the world, the youth of Turkana West – both host community and refugee – are drawn to cities and towns where they perceive there are better economic opportunities and lifestyle possibilities. As it currently stands, Kakuma-Kalobeyei, in contrast, becomes associated with a 'place of transition' or 'being trapped', prompting the youth to relocate elsewhere at the slightest opportunity.

In a KII for this study, the manager of Equity Bank in Kakuma estimated that refugees account for approximately 80% of the local economy, mainly through the cash flows associated with WFP's Bamba Chapa and Bamba Chakula programmes. Bamba Chapa gives out KES 1400 (USD 14) per person/month, translating to KES 8400 (USD 84) per month for a six-person household (the household survey indicated that the average household size is 5.5 members). The Kenyan Government also runs the Hunger Safety Net Programme supporting arid and semi-arid areas, which covers about 56,000 households in Turkana County and disburses KES 2700 (USD 27) per household/month.

UNHCR provides an additional housing fund for refugees in Kalobeyei New Settlement to improve the durability of their T-shelters at a rate of approximately KES 200,000 (USD 2000) per shelter. The support is directed to the individual beneficiary and can therefore result in savings of KES 9000-10,000 depending on expenditure for materials and labour. This cash-based approach to shelter has significantly boosted the construction value chain in the area, which had previously been very weak. While continuing to strengthen the construction sector, the programme also risks only benefitting a few dominant businesses, as has been the case with wholesalers in the area's retail sector.

While increasing cash circulation in the local economy, these programs have also contributed to certain market distortions. A WFP supply chain officer noted that the dependency of Kakuma businesses on the cash flow associated with Bamba Chakula and Bamba Chapa induces 'high and low seasons' depending on the disbursements schedule. According to traders interviewed, Bamba Chakula disburses from around 20th to the 25th days of each month. This is when purchases are at their peak. From the 1st to the 6th of every month there is another surge, as this is when employees are paid their salaries. For the rest of the month, demand plummets as there are no more purchasing power. Purchases then rely on credit, as consumers and businesses await the next round of disbursements through Bamba Chakula and salaries. Some businesses even reported closing temporarily during these 'seasonal' flows of cash.

The WFP officer also indicated there are sustainability questions regarding recent reductions in funding, due to dwindling resource bases from donors and partners. This has resulted in a declining level of support available to the beneficiaries.

Strengthen Capacities to Grow Businesses

The Turkana County Fiscal Strategy Paper of 2020 notes that most local businesses in Turkana are small-scale operations with a limited capacity to access credit facilities for expansion (CGT, 2020). This corresponds with the findings from this survey.

To promote the growth of vibrant and sustainable MSMEs, this study recommends the following:

- **Dedicated focus on Women-Owned Businesses-** The International Labour Organization (2008) noted that nearly half of all small and medium enterprises in Kenya were owned by women. Furthermore, 40% of the country's smallholder managers are women. Yet women in business have less than 10% of the country's available credit and face other challenges such as a limited entrepreneurial culture, limited management skills, barriers to accessing appropriate technologies, and added the financial and time burdens relating to households.

- **Establish county funds for supporting MSMEs and ensure access by Turkana West businesses –** The county's Fiscal Strategy Paper for the 2019/2020 Fiscal Year has already provided funds through its Biashara Fund for 1600 youth and women's groups to promote the county's socially inclusive development. While this is an important initiative, removing the obstacles that MSMEs face when accessing finance is needed at the policy and operational level as a long-term intervention. This will require closer coordination between the county, commercial banks, micro-credit institutions, community groups, Business Development Service and development partners.

- **Cooperation between private banks, external funders, and local business associations –** This cooperation is critical for setting up pool funds to be invested into MSMEs and can reduce the risks associated with lending to MSMEs, thereby promoting their growth. This can accelerate the provision of finance to those without bank access, and address inadequate business capacity (Wanjohi, 2012).[75] In Kakuma-Kalobeyei, Equity Bank has started an initiative, along with other MFIs, to provide financing to local businesses. IFC and UNHCR also run the Kakuma Kalobeyei Challenge Fund that seeks to support local businesses and social enterprises by addressing barriers facing businesses, thus encouraging growth. IFC is also seeking to establish a credit reference bureau to enable non-land assets to be accepted as collateral[76] for the benefit of MSME entrepreneurs, particularly women. Equity Bank in Kakuma is already lending to local MSMEs using alternative forms of collateral, as discussed in Volume I of this report. This is a significant shift away from the conventional lending in formal banking and has significantly reduced barriers to credit access.

- **Invest in training and skills development for businesspeople –** Despite relatively low education levels, low capital intake, and the number of 'young' businesses, many operators report low engagement with capacity development activities. As noted earlier, the survey revealed that most businesses do not undertake business training or marketing. Some businesses see the associated costs as unaffordable and depend on humanitarian or development organizations to offer training to businesses.

75 Wanjohi, A (2012). SME Policy in Kenya: Issues and Efforts in Progress.
Online Access (19/03/21): http://www.kenpro.org/sme-policy-in-Kenya-issues-and-efforts-in-progress

76 ibid

'We encourage businesses to have bank accounts, and then from the bank accounts we analyse the turn overs of their accounts… and look back maybe at their stocks. We also apply what we call co-guarantee. There is also what we call registration of chattels, e.g. electronics items. So here, most of our loans are unsecured loans. They are loans issued depending on the 'strength' of that customer, business turnovers, the stocks and the bookkeeping that they do.'

— (KII with the manager Equity Bank, Kakuma)

- **Develop soft infrastructure to support the local business community –** This study reveals several capacity gaps among the players in business and local industries. The gaps hinder the business sector and reflect the vulnerabilities within the general population (both refugees and host community). Consequently, businesses and local industries exhibit similar vulnerabilities that contribute to 2-3-year average lifespan for most businesses. To address such challenges, the study recommends that local partners build networks and businesses associations, an initiative that this project established by identifying and engaging relevant stakeholders on formation of such. Some self-organized groups exist, e.g., a women's group dealing with handicrafts, but such groups require support in business training, market expansion, access to financing and better workplace facilities, e.g. well-designed and built workshops. A combination of hard and soft infrastructure is needed to develop businesses.

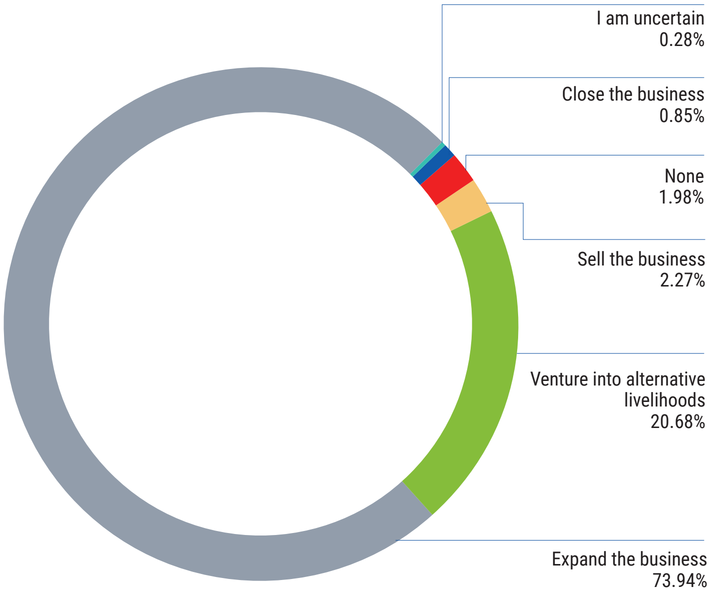
- **Leveraging Supply and Value Chains Opportunities –** From this study, Turkana West sources most of its commodities from outside the sub-county, especially from Eldoret, Kitale, Nairobi and Uganda. Local production remains constrained, but with the potential to create immediate employment and grow the local economy, transforming it from dependency to self-sufficient autonomy. According to Hall (2016), local production in Kakuma could be created if two conditions are fulfilled:

1. A shift from sourcing various commodities from Kitale or Nairobi to manufacturing commodities in the local area.
2. The implementation of a coordinated development plan associating refugee and host communities (e.g. Kalobeyei).

This study ventures several further conditions necessary to create local production, especially for food supplies and export goods:

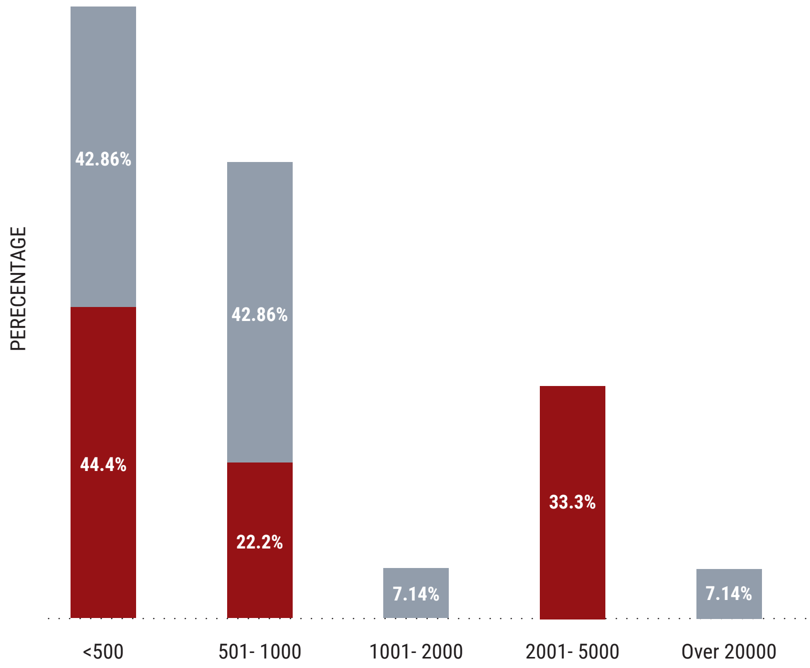
1. Invest in strategic infrastructure for Turkana West, such as water, sanitation, energy and roads. This is particularly important for Kakuma-Kalobeyei and Lokichoggio.
2. Enrol local youth in skills development linked to industrial needs.
3. Provide incentives for private investors.
4. Standardise and streamline access to land for strategic investments.

Figure 6.1 Plans for the Next Three Years



Source: UN-Habitat / Turkana West Survey (2020)

Figure 6.2 Amount spent on Training or Skills Development in the Past Year



	<500	501- 1000	1001- 2000	2001- 5000	Over 20000
Refugee	42.86%	42.86%	7.14%	0.00%	7.14%
Host Community	44.4%	22.2%	0.0%	33.3%	0.0%

Source: UN-Habitat / Turkana West Survey (2020)

Integrated Solutions to Socio-Economic Development

Close to half of Turkana County's population is 19 years old or younger. Such a youthful population presents both challenges and opportunities. While studies have pointed to the opportunities for the county's development created by the presence of refugees, certain policy restrictions undermine the optimum participation of the refugee community in local economic development. Such restrictions relate to employment, movement and business registration. Furthermore, low household income and limited livelihood opportunities lead to low household expenditure, which negatively affects business revenue streams. A long-term focus on socio-economic development is required to build self-reliance, in the form of sustainable livelihood means and employment. This requires a paradigm shift away from 'importing' (which means dependency) to local production and diversification (Hall, 2016). It also includes offering the host community a viable means of generating income, as an alternative to pastoralism which is adversely affected by drought seasons. Both refugee and host communities are in dire socio-economic condition, facing various levels of deprivations and vulnerabilities that require immediate attention to spur local economic development and growth of businesses and industries.

Human development indicators such as access to education, healthcare, water, sanitation and a diverse diet are considered a necessary foundation for economic development. Yet Turkana County has some of the highest rates of poverty in Kenya (Republic of Kenya, 2012), which limits expenditure and hinders business diversification and growth. Education and skills development is considered a significant determinant of employment. In Turkana West, 8.5% of residents have primary education against the national average of 52%, with Kakuma ward registering 22.5% (World Bank, 2016).[77] Those with secondary education levels drop to 5.4%, which is not helped by the fact that Turkana County has 202 primary schools and only 19 secondary schools (CRA, 2011; cited in World Bank, 2016). However, the presence of refugees in urban areas seems to create a positive influence, as Kakuma and Lokichoggio reported relatively higher education levels. The poor socio-economic indicators for Turkana West are associated with inadequate access to education and training facilities, as well as the inadequate capacity of existing facilities.

In an interview for this survey, the assistant county commissioner in Lokichoggio stated that the most significant challenge for Turkana West is illiteracy. There are very high dependency ratios in the county, including age dependency (1.188), child dependency (1.094) and old-age dependency (0.092) (KNBS, 2018).[78] The proportion of female-headed households in Turkana County is the highest in the country, at 52.1% against the national average of 32.4% (KNBS, 2018). This problem is also common among the South Sudanese refugee community. Besides the low education levels, a hesitancy in adopting change that could improve livelihoods compounds the problem.

Socio-economic inequalities persist between the refugee and host communities, predominantly in access to essential services, opportunities and living conditions (i.e. housing, incomes, access to food etc). Perceptions of the 'refugee hosting burden' are prevalent in the host community. The survey noted that KISEDP is yet to demonstrate a significant shift towards integrated programming. KISEDP investments are skewed mainly towards humanitarian programming. A section of the host community views the refugees as a 'privileged lot', because rights and privileges are available to refugees that are not available to the host community. This fuels conflicts and tensions between these two communities in Kakuma-Kalobeyei.

77 World Bank (2016). Refugee Impacts on Turkana Hosts. Washington, DC.
78 KNBS (2018). 2015/2016 Basic Report. Kenya Integrated Household Budget Survey (KIHBS)

Furthermore, the case of Lokichoggio decline raises critical concerns about the sustainability of Kakuma town, should policy makers and stakeholders not undertake a major shift in policy programming and approaches to LED. This survey revealed an absence of investments or transformative strategies to guarantee a different trajectory for Kakuma. Necessary investments would include a reliable water supply for both domestic and industrial use, electricity to support industrial production, skills development for the youth etc. While KISEDP is a significant attempt to change programming, there are still no demonstrated investments for major local area transformation. Hence, the decline of Kakuma town is highly likely if organizations supporting refugees cease operations, or if the refugee settlements are decommissioned soon without proper preparedness on mitigation of negative impacts. This is compounded by Kakuma-Kalobeyei's lack of basic structures that can support a flourishing town, e.g. reliable infrastructure, strong economic sectors etc. This uncertainty has also compelled businesses to operate without guarantee of long-term prospects. Nevertheless, some opportunities exist through the ongoing regional integration projects, such as the A1 Road construction and the planned LAPSSET corridor. But these investments will need local integration. In Turkana West, this means a specific focus on addressing the historical challenges of marginalisation that constrain transformation. Simply put, the socio-economic transformation of Turkana West will require a multi-pronged approach, with emphasis on inclusion and people-centred investments.

Some of the required immediate and mid-term interventions include:

- **Support education and development for the youth –** The survey noted that even when programmes that can trigger increased employment are made available in Turkana West, the local youth, especially in the host community, are likely to miss out due to low levels of education and limited skills. Indeed, most INGOs and NGOs rely on externally sourced labour to run their operations. Local employment is mainly limited to drivers, office assistants and other forms of general service. Supporting education and training requires increased investments in programmes designed to promote higher transition across education levels to increase in the number of young people with college level and vocational training, combined with other programs such as mentorship and social support to enhance awareness. Further, existing colleges and vocational training facilities need to offer programs that suit the skills gap and invest in research and development that can support local businesses and industries.
    - **Invest in economic diversification for the local communities –** The study noted that the prevailing poverty and limited income generating opportunities has resulted in a very weak economy where many businesses operate as 'survival ventures', where growth is limited by the weak purchasing power of the local population.
- **Provide adequate basic services and amenities –** Adequate water, sanitation and energy are vital for a healthy and flourishing community, which is a prerequisite for local economic development.
- **Invest in labour intensive programs and build local industries –** This is needed for both support programs and economic investments that are urgently needed in the area. For instance, informal industries such as apparel and tailoring, handicrafts, furniture making, and metal works can be strengthened by investing in large-scale production. The reconstruction of the A1 Road will improve connectivity, allowing raw materials to easily reach Kakuma-Kalobeyei and finished products to be be transported to external markets. This upscaling of local industries could be combined with extending ongoing programs that support vocational, technical and business training.

Similarly, an industry-focussed training facility could be built and operationalised at the proposed Kalobeyei EEZ area. Without such investments, it will be difficult to make the Kakuma-Kalobeyei area an attractive settlement for the youth and working-age population.

Environment and Natural Resources Management

Turkana West and Turkana County have tremendous natural capital including vast lands, strong winds, long hours of sunshine, water aquifers and other natural water systems, soils, minerals, aggregates, and forested mountain ranges. Thus, there is potential for enhancing livestock production and establishing agri-businesses and other resource-based economic activities. However, to transform the local resources to productive economic ventures, significant investments are needed.

Meanwhile, several challenges affect the natural resources. For example, the continued reliance on firewood and charcoal by the refugee and host community threatens to escalate their scarcity, amid unfolding impacts of climate change. In the last two and half decades, the area has witnessed the failure of rains, while in 2006, 2007 and 2011, the region experienced higher than expected rainfall, resulting in flash floods and livestock and pasture loss (CGT, 2013).[79] Over the years, loss of vegetation has continued due to the continued reliance on firewood and charcoal, as well as an increasing dependence on boreholes for water supply. This has been exacerbated by increasing demand due to the influx of refugees in the area (UN Environment, 2018).[80] Without a strategic water supply for the settlements, enhanced socio-economic development will always be out of reach. Indeed, water scarcity is a major threat to the sustainability of the Kakuma-Kalobeyei settlements. This study recommends the following:

- **Shift from reliance on boreholes to reliable water supply system –** This study recommends the construction of large-scale surface water harvesting such as a dam on Tarach River. Such infrastructure will potentially make irrigated agriculture possible, and guarantee reliable supply for livestock production, commercial and domestic uses.

- **Undertake land rehabilitation –** This should focus on abandoned mining pits, vegetation cover restoration and storm water management in the settlements.

- **Invest in renewable energies –** Tapping into the natural resources of wind and solar is an opportunity to improve the socio-economic development indicators for the local population. With Turkana West detached from the country's national electricity grid, there is need to explore the potential of these resources to produce sufficient energy to transform the local economy (i.e. energy that can support domestic, businesses and industrial use).

- **Undertake feasibility on livestock pasture production through farming –** The survey noted that this would reduce the seasonal nomadic migration which often result to many children and youth missing on education and training. It can also provide potential for commercial livestock production, unlike the current production which is mainly for sustenance and cultural reasons. Indeed, investments that target value addition in the livestock value chain, such as a meat packaging factory, have great potential given the dominance of pastoralism. Creating commercial levels of supplies will require working with the host community on shifting their approach to livestock production. The survey noted that livestock sales usually occur when financial pressures arise, or as a minimum income to purchase certain items.

79 CGT (2013). Turkana County Integrated Development Plan, 2013- 201

80 UN Environment (2018). Managing environmental stress in Kenya's Kakuma refugee camp. Online access (12/03/21): https://www.unep.org/news-and-stories/story/managing-environmental-stress-kenyas-kakuma-refugee-camp

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- **Mainstream environmental management in spatial planning of the settlements –** The survey noted that the poor planning and spontaneous nature of some of the main settlement areas contributed to environmental challenges including flooding and loss of biodiversity.

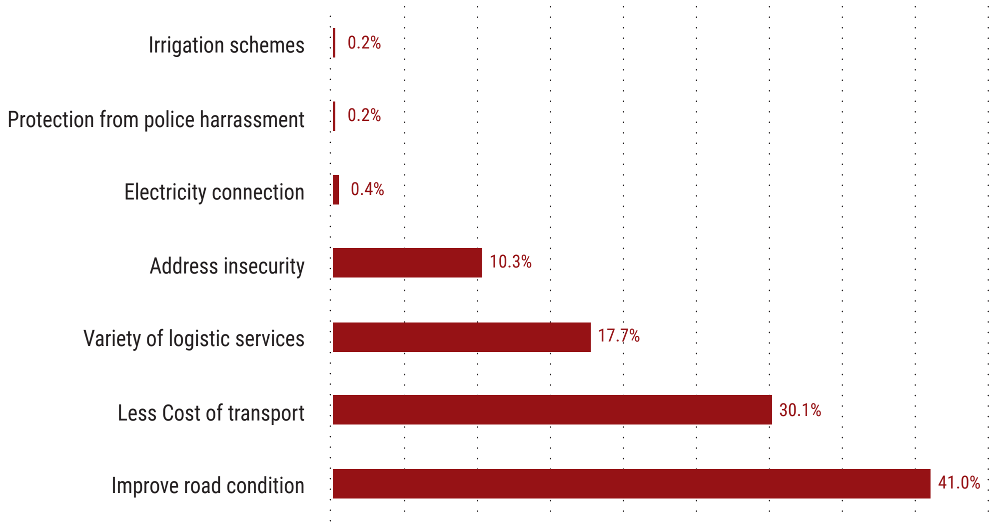
Infrastructure Development and Reliable Basic Services

Underdeveloped or missing infrastructure is evidence of the context of historical marginalisation that informs the socio-economic development indicators of Turkana West. This has negatively affected private sector investments and hindered the growth of existing businesses and local industries. This study established that, of all the infrastructure requirements in Turkana West, improved road connectivity, energy and water supply would have the highest impact on economic growth. However, the skewed and poorly coordinated provision of services and infrastructure investments has disadvantaged Kakuma town's development (IFC, 2018). Indeed, this trend is evident across the region. Poor and inadequate road connectivity and insufficient market integration hinders the movement of people and goods in and out of the area. As noted in Chapter 4, the resupply time for perishables in Kakuma doubles from 1.5 days during the dry season to 3 days in the rainy season. Road improvements to the A1 north-western corridor (Nairobi, Lokichoggio to South Sudan) should address the market integration issues, while improvements to secondary road networks connecting small towns to the main corridor is still required.

The impact of the A1 corridor is already improving business activities. Interviews with businesses dealing with fresh food indicated that before the road construction it could take four days for supplies from Kitale to reach Kakuma and produce was often spoiled. Hence, the little that was still in fair condition fetched very high prices on arrival. Now it takes a day to get the commodities to Kakuma and the prices have reduced significantly. The prices increase as you move away from the source markets, with Lokichoggio prices being the highest for fresh produce. Discussions with local businesses and industries emphasised the important role played by good transportation in market integration. Infrastructure development in Turkana West requires an integrated and long-term view, with a priority focus on the main settlements and towns.

This study recommends the **formulation of and implementation of comprehensive, integrated urban development plans** for all major settlements and towns as the basis for infrastructure development. From the surveys, participants viewed mobility related infrastructure and services as a priority area of intervention.

Figure 6.3 What types of transport infrastructure and services do businesses require to enhance productivity?



Source: UN-Habitat / Turkana West Survey (2020)

Overall, there is need for a raft of measures to provide essential infrastructure in Turkana West. Infrastructure such as roads, sewerage, energy, water supply systems, solid waste management and ICT are critical for growing businesses and local industries. Urban areas, such as Kakuma, Kalobeyei and Lokichoggio, can only develop strong economies if the right infrastructure is developed.

Transportation Connectivity and Market Integration

The study recommends investments in both regional and local level road infrastructure, with a focus on:

- Secondary road connections, including those that link the main urban centres with the A1 road, and those that link major settlements
- Spatial planning and designating adequate street networks in the main towns, especially Kakuma-Kalobeyei and Lokichoggio. This requires an integrated spatial framework/ plan (such as the County Spatial Plan) or a sub-county plan, which would cover the major urban areas in Turkana West (Lokichoggio, Kalobeyei settlement, Kakuma town) and the economic corridor (i.e. LAPSSET section) supported by an urban management institution, like a municipality.
- Developing appropriate standards for paving local roads. The primary considerations should be functionality (i.e. catering for multiple modes of transport, including walking, cycling and motorists), financial efficiency and infrastructure durability.
- Investing in relevant storm water management infrastructure, such as bridges and road drifts. Currently, connectivity breaks down during rainy seasons and when flash floods occur.
- Better coordination of transportation investment in the refugee and host community settlements.
- Expanding air connectivity beyond humanitarian flights that operate from Kakuma Airstrip to include commercial operations. This is currently being considered for Lokichoggio airport, which is being expanded and will likely enhance trade between Kenya and South Sudan

Information and Communication Technology

ICT is another vital infrastructure needed in Turkana West. While Kakuma-Kalobeyei has relatively better coverage, these services are still inadequate. Coverage is much worse in rural areas. Businesses that rely significantly on internet connectivity, including e-commerce, are constrained by the absence of high-speed internet in the area. However, the Kenyan Government is developing a fibre optic internet cable along the A1 corridor and is expected to reach South Sudan. At the time this study, the section between Lodwar and Nadapal was under construction. This will boost businesses, households and crucial facilities and service providers in the area, including education, health care and administrative services offered by the government etc. This internet project needs to be supported with:

- Local fibre optic infrastructure to optimize the benefits of the national government project. It is important to develop local infrastructure for the last mile of connectivity, particularly in the main settlements and towns. In Kenya's major cities and towns, the private sector has led this kind of infrastructure and service provision. The Turkana County Government can facilitate this by engaging private sector partners, while providing appropriate spatial plans that can guide rights of way. These measures are important for attracting private sector investment in networked infrastructure development.
- Increased coverage of mobile phone network services. This is crucial for communication and financial transactions.
- ICT training facilities and programs. This will significantly benefit the youth in particular.

Water and Sanitation

The development of reliable water and sanitation infrastructure is urgently needed in Turkana West settlements and towns. The survey revealed that business operations and the growth of the local economy is highly constrained by the absence of a reliable water supply and waste management systems. While various interventions have been undertaken, particularly in Kakuma-Kalobeyei, the current systems cannot support thriving economic activity, given that they are still unable to effectively support domestic use. The reliance on boreholes is not sustainable. Instead, strategic water supply infrastructure should be developed. Likewise, the management of waste (liquid and solid) requires interventions with a long-term perspective. In that respect, this study recommends the design and implementation of a Water and Sanitation Sector Plan for Turkana West, which should be integrated with the CIDP and KISEDP. They key elements of this plan should include:

- Identifying and developing strategic water supply infrastructure for all major settlements, including Kakuma-Kalobeyei and Lokichoggio, as earlier recommended about Tarach dam construction.
- Developing local water distribution systems. This should be informed by settlement and urban plans.
- Developing a set of sustainable options for dry and water sanitation systems that can support the settlements and towns. Investments in wastewater management infrastructure should be capable of supporting the current and future populations and businesses.
- Solid waste management, with investments for organized waste management systems in the main settlements and towns. Although Kakuma-Kalobeyei has a designated area for solid waste disposal, its location makes it costly to transport waste. Furthermore, the site is not a properly engineered sanitary landfill, and there are no trucks engineered to the recommended public-health standards to transport waste. A solid waste management facility is a prerequisite for developing industrial activities in the area. Rural settlements require simple and appropriate methods that can be taken-up by the communities, as they do not necessarily need centralised systems of solid waste management.

Energy

Another major constraint to businesses and local economic development is the absence of reliable energy, especially in refugee settlements and main towns. While several interventions have improved the situation, there is still no reliable energy system that can support intense commercial and industrial activities. This study recommends the following:

- Invest in local mini-grids and extending access to all users. These mini-grids should favour solar and wind energy, given their availability as natural resources in the area. As Kenya Power's mini-grid relies on fossil fuels (diesel), this can be expanded as an interim measure, with the awareness of the associated costs, including environmental and productions costs in transporting diesel from the regional depot in Eldoret.
- Develop local distribution infrastructure for electricity. Like road and water systems, this will require spatial planning interventions to ensure appropriate rights of way are created.
- Support households and businesses to access portable solar energy systems. This can include fiscal incentives and supporting value chain-suppliers, distributors, installers etc.
- Stakeholders to work together to phase out reliance on firewood and charcoal for heating. This needs to incorporate sustainable use of firewood and charcoal, alongside the provision of affordable and reliable alternatives. It requires a service system designed to deliver affordable energy to the local population. High tariffs will cause electricity usage to be limited to lighting and light electronics, and will exclude other domestic and commercial uses, including cooking.

Strengthen Spatial Planning and Land Management

Land in Turkana West is communally owned. While this works effectively for the host community, who primarily move freely with livestock, the land administration is inadequate for an urban set-up. In the major urban centres of Lokichoggio and Kakuma, poor land administration has resulted in spontaneous and unplanned developments, in the absence of coordinated land use management or land administration. Land administration is largely informal – a mix of traditional land governance structures of the host community with the involvement of certain government agencies. This hybrid system has created a 'local process' for land acquisition and development, unlike conventional urban land development regimes that rely on registered land, cadastral data and planning approvals. This system discourages some investors from establishing businesses and other investments in the area.

There is some level of spatial planning in the refugee settlements, however it is ad-hoc and poorly coordinated. Recently, the establishment of the Kalobeyei New Settlement was guided by a comprehensive spatial plan. This differs from the Kakuma Refugee Settlement, where growth has largely been through land allocation in the absence of an overarching planning scheme. The Kakuma New Settlement plan has provided for mixed land uses, facilitating access to land for businesses and local industries. However, this still requires detailed planning and participatory engagements to optimize land and spaces for enhanced economic productivity.

The communal land tenure system constrains the assignment of adequate rights necessary for financial access and transactions in the credit markets. In an interview for this survey, the manager of Equity Bank in Kakuma identified this as a challenge since the financial sector's regulator, the Central Bank of Kenya, requires lending beyond certain periods to be backed-up by security, usually in the form of land ownership documents (e.g. title deeds). With such records, it is easier to attract external investors since property rights and secure land tenure is a major factor in economic production. Its clarity is associated with reduced risks to investment. Consequently, a functional land administration and urban planning is needed in Turkana West, especially in the urban centres. To do so, a combination of spatial planning and broad land documentation processes will need to be undertaken concurrently as part of an Urban Management Program:

'According to the county physical planner, lack of an elaborate land security tenure in the area remains a great inhibitor to trade and investments, with investors shunning putting up major and long-term investment in Kakuma town and the region for fear of drawing in land ownership disputes with the locals'.

— (KII with Director of Physical Planning, Turkana County Government)

- Establish municipalities for Kakuma-Kalobeyei and Lokichoggio settlements. This will provide a framework for dedicated local planning and development interventions.
- While Kakuma town has an urban development plan, it does not cover the refugee settlement and the town lacks a proper land information database. The implementation of the plan requires a review to address the wider local area and be tied to financing and operational coordination between CGT and humanitarian-development aid agencies operating in the area.
- A functional land information system can be created by documenting existing land claims and rights, building a parcel identification system, and establishing dispute settlement systems for land rights adjudication.
- A spatial planning process is required to establish a street network, allocate public spaces, and a establish a settlement layout. This is especially necessary as existing parcels have been created through spontaneous and unplanned land developments.
- At policy level, there is a need to address how land administration will affect economic activities in both the host and refugee community areas. According to a WFP officer in Kakuma, land adjudication is being rolled out in urban areas within Turkana County. This may result in land-based taxes (i.e. rates and rent) making the business environment uneven considering that refugee-owned businesses would enjoy some level of protection.

Regional Insecurity Context and Its Impact on Businesses

Conflicts and cattle rustling are common in the Karamoja Cluster, including in sections of Turkana as earlier indicated. According to the assistant county commissioner of Lokichoggio, a culture of cattle rustling and small arms among the pastoralist community is a major security concern in the area. However, stocking small arms is considered essential for protection against and responding to attacks. Cattle rustling is mainly a cross-border issue, and there is little internal hostility. The County Government of Turkana is also involved in peace and conflict resolution programs alongside national government security teams. Other non-state security partners include the Lotus Kenya Action for Development Organisation (LOKADO) and Upeo. According to security guidelines, every ward should have a police station, however Nanaam and Songot wards do not have police stations. The host community has approved parcels of land for military facilities in the area to boost border security, while plans also exist to establish a border post and a police station at Nadapal (Kenya-South Sudan border).

Fundamentally, there is a need to address the socio-economic dimension of conflict and insecurity in the border areas. The lack of alternative livelihoods among pastoralist communities has been cited as one of the reasons for recurring strife, much of which is resource-driven, especially regarding water and pasture resources (Matthysen et al, 2010).[81]

81 Matthysen, K; Finardi, S; Thomas, B and Danssaert, P (2010). The Karamoja Cluster of eastern Africa: Arms transfers and their repercussions on communal security perceptions. Online Access (12/03/21): https://ipisresearch.be/wp-content/uploads/2010/12/20101231_Karamoja.pdf

This underscores the need for enhanced interventions to build sustainable urban settlements in Turkana West, especially Kakuma and Lokichoggio. Urban centres offer can alternative livelihood means, if they are planned and managed effectively. At present, such structural changes are evading most urban centres in both the region, and across Kenya.

Strengthen Local Governance

Unlike other urban centres or regions in Kenya, governing Turkana West is a landscape of managing refugee-host community priorities, interests, relations and, most importantly, balancing humanitarian-development needs. Navigating these issues presents a complex context for governance of the area. As noted earlier, before the commencement of KISEDP humanitarian assistance was largely biased towards the refugee community. Although KISEDP is yet to demonstrate a significant shift towards integrated humanitarian-development programming, some slow progress has been made in this area, including KISEDP's involvement in the current Turkana CIDP. Inclusivity is a fundamental concern for the long-term development of the area, which can only be achieved through a philosophical shift in interventions.

Furthermore, this survey established that there is low public participation in programming and interventions in the area, which marginalises community contributions in determining issues, priorities and the interventions needed. The county government's OSR is compromised by an economy that is largely informal and dominated by financial flows provided by international support agencies and local organizations. These atypical factors mean that the governance context in Turkana West is quite different to other urban centres in Kenya. This raises important considerations for governance and development planning, including multiple centres of power and authority, and complex decision-making processes that are strongly influenced by external voices, rather than the local community.

Policy and Institutional Constraints

Numerous policy and institutional barriers impede local economic development and the growth of businesses in Turkana West. Given that refugee community constitutes about one third of the population, the Kenyan Government's encampment policy is particularly problematic. Freedom of movement is curtailed for refugees, meaning that they cannot leave the camp to work elsewhere in Kenya, while within the camps, the employment of refugees by organizations is limited to incentive work that pays a fraction of the wage of a Kenyan employee (Hall, 2016).[82]

Refugees seeking business registration permits are often impeded by a lack of information regarding the required documentation, application procedures and fees. Several other legal restrictions are placed on refugees, including restrictions on livestock ownership (so as not to fuel tensions with the host community), a prohibition from cutting down trees for charcoal (as this is one of the host community's primary income sources), and an inability to own land or the developments thereon, thereby curtailing participation in any meaningful land-based economic production.

The Turkana County Government needs to establish a municipality for Kakuma-Kalobeyei to manage urban development in the area. With a dedicated urban management institution for the local area, the business environment is more likely to improve. For example, the businesses indicated that public markets in Turkana West suffer from missing infrastructure and poor management, increasing transaction costs and negatively impacting the business environment. Traditionally, local government i.e municipalities are tasked with provision and management of public markets, but in Kakuma-Kalobeyei, the relevant local government is missing, even though Kenya's County Government Act of 2012 and the Urban Areas and Cities Act of 2011 provide framework for establishing such decentralized units.

82 Hall, S (2016). Comprehensive- Market- Assessment- for- Kakuma- Refugee- Camp. Commissioned by DRC, AAH-I, and UNHCR Kenya. Online access (12/03/21): https://static1.squarespace.com/static/5cfe2c8927234e0001688343/t/5d5691b3769d1e000172c-d9a/1565954567528/Rapid-Market-Assessment-Value-Chain-Analyses-in-Kakuma-May-2016-FINAL.pdf

Conferment of municipality status would unlock additional funding and resources for investment in infrastructure and better urban governance. A Kakuma-Kalobeyei municipality could improve the delivery of services and respond to issues in real time, thereby improving the business environment and optimising revenue collection at the local level. Furthermore, decentralisation can be done to the village level, according to the County Governments Act (2012), as a county finds most feasible for effective administration. Subsequently, this research draws attention to the need for a municipality for Kakuma-Kalobeyei and strengthening of the Turkana West Sub-county administration to effectively managed the small centres and rural settlements in the rest of the area.

Establish Urban Management and Promote Participation in Governance

In the host community, lack of meaningful community participation in planning for major projects has led to the stalling of several development projects, such as the Lokichoggio livestock market. This poor execution of public participation is a threat to the sustainability of development initiatives and projects. The assistant county commissioner in Lokichoggio noted in a KII that illiteracy and prevalent poverty make it difficult for the local community to engage objectively during public engagement forums. There is a general expectation of direct benefit whenever community members are involved in any development activity. The leadership (of government and support agencies) was found to rely on the so-called 'opinion leaders' who are deemed to represent views of the rest of the community on decision-making. However, this also comes with its challenges, as representation is no guarantee that the views expressed reflect the interests of the majority. The reliance on 'opinion leaders' also has a cultural dimension, as such people are considered legitimate, but the modern practice is that they also create complex power relations where they end up operating in a weak accountability system where the represented have little power to question the views or decision of these 'opinion leaders.

In the refugee settlements, structured leadership is organized spatially (i.e. in clusters) and facilitated by support organizations, and leaders are chosen through community elections. However, similar challenges of representation were noted. In any case, the programming decisions undertaken in the refugee settlements are rarely designed with the active participation of the targeted beneficiaries. Instead, a more top-down approach is taken, considering donor relations and organizational priorities, with little input from local leaders. Indeed, studies reveal that humanitarian action continues to lack inclusion, or where inclusivity is prioritised, it is often fragmented with an inadequate understanding of what inclusion entails in practice (Barbelet & Wake, 2020).[83]

83 Barbelet, V and Wake, C (2020). Inclusion and exclusion in humanitarian action. HPG Working Paper. Online Access (19/03/21): https://www.odi.org/sites/odi.org.uk/files/resource-documents/inclusion_lit_review_web.pdf

In the survey, most participants, including business operators, called for enhanced consultations with support organizations and the county government. However, it was established that the absence of a strong civil society, associations and networks hinders structured engagements between the local community and support agencies. According to a leader from the Kenya National Chamber of Commerce and Industry in Turkana County, the creation of an LED forum comprising public, private, UN and partner agencies could provide a shared platform for addressing issues and designing interventions.

Kenya's Comprehensive Refugee Response Framework (CRRF) promotes a transition from a predominantly humanitarian-based approach to a more inclusive and development-oriented strategy.[84] In a Global Refugee Forum in Geneva in December 2019, the Government of Kenya made three pledges relating to supporting refugee and host communities' education. This were: the integration of refugees in County Integrated Development Plans (CIDPs) and area-based approaches; the supporting and strengthening of institutions and structures that manage asylum seekers; and the delivery of services and provision of security in refugee-hosting areas.[85] The arrangements for burden and responsibility sharing highlight areas in need of support.

The legal and policy framework for managing refugee affairs in Kenya consists of the Constitution of Kenya (2010), the 2006 Refugee Act and its regulations and related laws. The Refugee Bill, currently on the floor of Kenya's Parliament, is an effort to review the 2006 act and provide the legal framework for implementing the CRRF. In Oka and Gengo (2020) study, key informants expressed concern that the new Refugee Bill being considered by the Kenyan legislature might maintain the status quo, where refugee employment opportunities would be limited to lower scale opportunities in designated areas. The success of the CRRF and the future of socio-economic development depends on, among other things, how effective the integration of the refugee and host communities is, both in the short-term and long-term planning periods, or how the planned closure of the refugee camps will be managed.

The various development planning efforts at a national, regional and local level would need to be integrated to confer maximum benefits to the vision contained in CRRF. Interviewees in this study expressed concerns about the implementation of KISEDP and the integration with CIDP – Turkana County's development blueprint. The host community continues to feel uneasy that the existing development planning efforts continue to exclude them or a not inclusive enough. Indeed, this research recommends an examination of how the concept of inclusion is approached and formulated by support agencies vis-à-vis how the host community view and understand the concept.

84 Kenya Comprehensive Refugee Response Framework, CRRF (2020), published by The Republic of Kenya and can be retrieved from https://refugee.go.ke/wp-content/uploads/2021/03/Kenya-Comprehensive-Refugee-Response-Framework-CRRF.pdf

85 CRRF (2020)

Low Revenues but with Potential to Enhance Own-Source Revenue

Turkana County's total OSR has been growing steadily. In 2018/2019 OSR grew 21% from the previous financial year. Yet there was still a shortfall, as the OSR target was KES 200 million, while the county collected just KES 144 million.[86] The unmet OSR targets are attributable to a number of factors, including poor inter-ministerial coordination in local revenue collection, accrued unpaid royalties, unpaid cesses from corporate clients such as Tullow Oil, prolonged drought, insecurity, and the slow enactment of relevant legislation (especially of the Rating Act) leading to a delay in the collection of land rates.

The need to enhance OSR in Turkana West and the entire county is clear, especially given the potential establishment of a municipality as the lead urban management institution in Kakuma-Kalobeyei. It is important to note that the informal sector dominates the local economy. Therefore, if OSR is to be enhanced, interventions are needed, in consultation with the relevant actors, to ensure the long-term LED of the area. The smuggling of counterfeit goods across Turkana West's porous international borders also affects the county's ability to raise OSR. Participants at the disclosure/validation meeting for this study indicated that the Ugandan border is notorious for smuggled alcohol and foodstuffs, such as flour and maize. The popular routes for the illegal trade are Moroto-Lopur, Oropoi- Kalobeyei and Narotongo- Kakuma.

Conclusion

Enhancing business growth and local economic development in Turkana West will require a combination of efforts by multiple stakeholders, governments and NGOs. With the recent announcement by the Kenyan Government that it intends to close all refugee camps in the country, the future of the communities is a major concern. To mitigate the negative effects that come with such closures (such as those witnessed in Lokichoggio), it is important to invest in measures that prepare these communities for self-sustenance. Such investments will cut across sectors and spur local economic development. As the study reveals, the connectivity and market integration of businesses in the region is important for local economic growth in Turkana West. The A1 Road is already proving to be vital infrastructure for facilitating this integration. Future investments, such as LAPSSET, are anticipated to complement these benefits. However, significant investments are required to develop local infrastructure, particularly water and sanitation, transportation, and communication. Soft infrastructure is required to accompany these developments, including spatial planning and organizing businesses as initiated by this project, as well as training and skills development for businesses, increased financial support, addressing land administration challenges and ameliorating other administrative constraints that businesses and local industries face.

86 TCG (2020). Turkana County Fiscal Strategy Paper 2020

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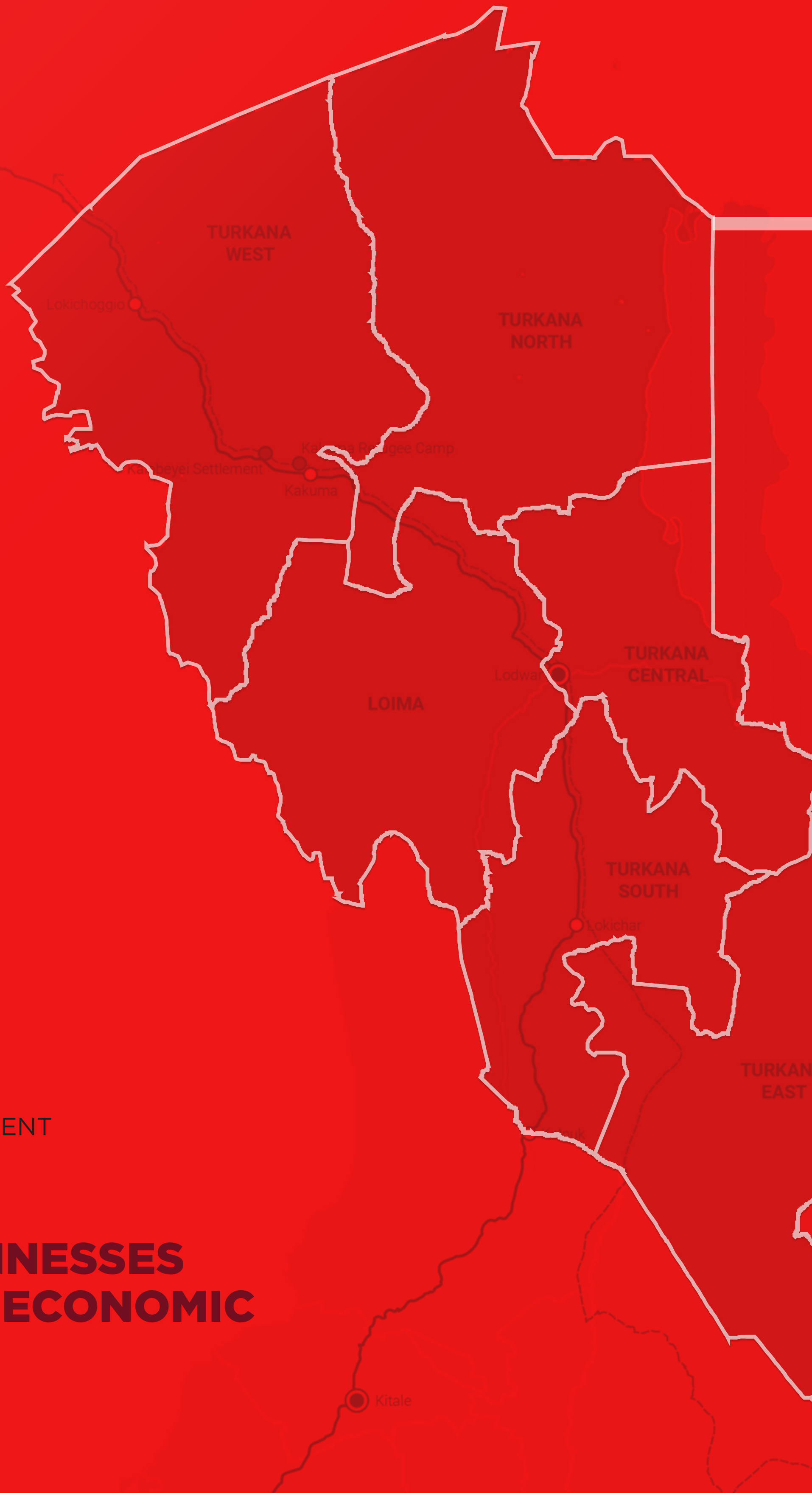

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