COMPREHENSIVE STUDY OF THE LIVESTOCK MARKETING SYSTEM
IN SAMBURU DISTRICT, KENYA

(Examining the unique Revenue Sharing Model between the County Council and Livestock Marketing Associations in the district)

Undertaken by:

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# Acronyms

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<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ASAL</td>
<td>Arid and Semi Arid Land</td>
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<td>CAHW</td>
<td>Community-based Animal Health Worker</td>
</tr>
<tr>
<td>CBS</td>
<td>Central Bureau of Statistics</td>
</tr>
<tr>
<td>DFZ</td>
<td>Disease Free Zone</td>
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<tr>
<td>DLMC</td>
<td>District Livestock Marketing Council</td>
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<tr>
<td>DLMO</td>
<td>District Livestock Marketing Officer</td>
</tr>
<tr>
<td>DLPO</td>
<td>District Livestock Production Officer</td>
</tr>
<tr>
<td>DVO</td>
<td>District Veterinary Officer</td>
</tr>
<tr>
<td>EVA</td>
<td>Economic Value Analysis</td>
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<tr>
<td>KLMC</td>
<td>Kenya Livestock Marketing Council</td>
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<tr>
<td>KMC</td>
<td>Kenya Meat Commission</td>
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<tr>
<td>K-Rep</td>
<td>K-Rep Bank</td>
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<tr>
<td>LFA</td>
<td>Logical Framework Approach</td>
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<td>LINKS</td>
<td>Livestock Information Knowledge Network System</td>
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<tr>
<td>LMA</td>
<td>Livestock Marketing Association</td>
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<tr>
<td>MLD</td>
<td>Ministry of Livestock Development</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organisation</td>
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<tr>
<td>NEP</td>
<td>North Eastern Province</td>
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<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>ROI</td>
<td>Return on Investment</td>
</tr>
<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperative Society</td>
</tr>
<tr>
<td>SCC</td>
<td>Samburu County Council</td>
</tr>
<tr>
<td>SIDEP</td>
<td>Samburu Integrated Development Programme</td>
</tr>
<tr>
<td>SNV</td>
<td>Netherlands Development Organisation</td>
</tr>
<tr>
<td>STS</td>
<td>Samburu Traders Savings Cooperative Ltd</td>
</tr>
<tr>
<td>QFA</td>
<td>Quantum Financial Analytical Toolkit</td>
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<td>QHA</td>
<td>Quantum Hazards Analysis</td>
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1. Introduction

1.1 Preamble
This study is a joint initiative of the Kenya Livestock Marketing Council (KLMC), SNV- North Kenya Portfolio, and the Samburu Integrated Development Programme (SIDEP). It is based on the hypothesis set below. Previous studies have tested the underlying assumption that livestock market development is critical to the improvement in the welfare of pastoralists.

1.2 Background
For many years, most County Councils in the Arid and Semi Arid Lands (ASAL) region have faced acute revenue shortfalls due to two main reasons: namely; small/narrow revenue base and low yields. The major source of local revenue for most county councils in the ASAL region is livestock cess. This accounts for over 70\%\(^1\) of total revenues. The revenue from markets is collected from traders and sellers by county council staff stationed at the local interior market. As a result, councils have been under a constant pressure on making available sufficient revenues for re-investment in the development of the local communities. In sum, these problems have led to low compliance among tax payers, low collection efforts and overall decline in total yield.

1.3 SNV Hypothesis
Based on the experience gathered in Samburu District in the last couple of years, SNV has come out with one hypothesis which it believes is a way forward for solving the aforementioned problem. This is to “facilitate the establishment of strategic business partnership between community and the local authorities”. SNV views this as a potential PPP model which is practical within the context of ASAL regions. Through SNV support to the KLMC and District Livestock Marketing Councils (DLMC’s), some Livestock Marketing Associations (LMA’s) have been able to successfully set up, run and operate the interior markets for livestock.

There are a few examples of LMA’s running livestock markets for the county councils and collecting the cess for them while taking a commission to improve and maintain the markets. Some LMA’s in Samburu District have established strategic business partnerships with local authorities. For instance, as a result of technical support from the DLMC the LMA in Archers Post is running a sales yard on behalf of the Samburu County Council (SCC) on a revenue sharing basis\(^2\). Available information indicates that they are running it more efficiently\(^3\). As a result of this arrangement, SCC’s revenue collection has gone up to an average of Kshs.1 million per year, up from Kshs.100,000 before the introduction of strategic partnership.

Furthermore, through SNV working with local Micro Finance Institutions in Samburu, they have been able to help the development of financial products which have reached out to the economically poor. For example, SNV has successfully built the capacity of local microfinance institutions (the case of Samburu Traders SACCO (STS) to cater for this need. STS are in the process of developing a livestock loan from which producer groups (such as LMA’s) can secure finance. SNV believes that this business model can be replicated elsewhere in the country or continent.

Based on this success, SNV decided to explore the commercial potential for replicating the two business models\(^4\) to other districts, first as a way of enhancing financial stability of LMA’s / DLMC’s and secondly, as a means for enhancing revenue base for the county councils based on any efficiency gains.

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\(^1\) SNV – Northern Kenya Portfolio

\(^2\) The revenue sharing arrangement comprise of equal sharing between the Council and Livestock Marketing Associations. The LMA’s then shares with DLMC’s as follows; cattle 40/= and goats 10/=.

\(^3\) According to them, the partnership is viewed as a profitable venture.

\(^4\) The two business models are: LMA/County Council and STS.
Furthermore, SNV intends to package all its efforts strategically to maximize the impact on the ground and to take advantage of the investment SNV has put into its programs.

It is against this background that SNV commissioned Quantum Africa to undertake a study on “Revenue Sharing Model between County Councils and Local Marketing Associations”.

1.4 Key Assumptions
SNV assumes that the principal idea and the associated business approach may provide an avenue for linking the interior markets in the ASAL region to the terminal markets. It will also provide avenue for linking the markets to holding grounds5 (where applicable), where animals can be treated, fattened and declared disease free before they are taken to the terminal markets. This will help create price premium along the value chain and maintain or possibly increase the bargaining power for producers.

A second assumption is that the model is supposed to reduce transaction costs of the trader and increase incomes. Increased incomes will increase access to terminal markets for both the buyer and seller.

Consequently, validation of these assumptions forms a key deliverable for this study.

1.5 Target Area/ Coverage
The study will be undertaken in Samburu District Council and is designed to be inclusive of all stakeholders in the establishment and running of the LMAs in Samburu. It will cover the DLMC’s and all of the LMA’s within the district. As well as this it captures the role of microfinance institutions, particularly STS and K-Rep in providing necessary finances and developing products appropriate to the proposed business model.

1.6 Research Objectives
The general objectives of the study are to document best practices and enhance learning and knowledge sharing among practitioners within the organization as well as potential partners outside the organization. The principal idea behind the proposed study is to “facilitate partnerships between the county councils and local marketing associations as a way of setting up more local livestock markets in the interior”. In addition, the study is expected to propose potential avenues for increasing revenue base as well as bringing in efficiency gains in the revenue collection system. The specific objective of the study is to provide rationale and justification for upscaling the practice.

1.7 Organisation of the Report
This report provides the basic results and the study team’s interpretation of the findings. In addition, it replays some of the discussions held and observations made during the field trips undertaken in December 2007 by the Quantum research team. This is shown as Livestock Market Case Studies in the body of the report and which records actual events observed during the study. In-depth financial analysis was undertaken by way of using the Quantum Financial Analytical Toolkit (QFA) supported further by the Quantum Hazards Analysis (QHA) methodology which aims to assess the underlying risks and their mitigation. The Quantum team further undertook a risk workshop to brainstorm on the key issues raised during the deskwork and an attempt to bust some of the assumptions underpinning the revenue sharing model.

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5 SNV is now strategically aligning itself to foster partnership with the Department of Holding grounds within the Ministry of Livestock Development. The latter is now actively involved rejuvenating holding grounds country wide to take advantage of the newly opened Kenya Meat Commission.
An attempt has been made, in this report, to focus on similar issues in each livestock market visited. The findings of such issues, where possible, are presented in the same order for each market so that comparisons can be made between the markets. Where there are variations in the order, this was because either the information was not available or because the particular market operates a different system to that of its neighbours.

The report is structured along the key tasks/deliverables requested by SNV as follows:

1. Validation of the key hypothesis and assumptions mentioned above;

2. Performance of an empirical analysis of the business model / partnership (including the key assumptions); Note: The business model refers to both LMA/County Council partnership and the input envisaged from STS;

3. Derivation of potential profitability / losses intrinsic in the model under different scenarios;

4. Mapping out / identifying key drivers of successes / failures for the business models based on the identified scenarios (including sensitivity analysis). This must be part of the analytical agenda;

5. Identifying and recommending potential risks together with the appropriate mitigating strategies (based on item 4 above);

6. Extracting and documenting “best practices” or “lessons learned”. These may include, for example, measures to increase compliance and efficiency together with potential “win-win” revenue sharing mechanisms. All this should be discussed in the context of PPP models appropriate in the ASAL region; and

7. Based on the findings of item 6 above, recommending potential basis/ avenues for up-scaling.

Only key findings are presented in the body of the report; there is a wealth of additional information and analyses contained in the appendices section of the report.

In presenting the key findings, whether in the text, charts, graphs, or tables, care has been taken to indicate the source of the data/information in all instances. In all cases the results are broken down by livestock sub-groups such as cattle, sheep and goats (shoats) or camels, or stakeholder sub-groups such as LMA, DLMC, SCC, etc.

1.8 Disclaimer

The views expressed in this report are those of the study team consultants and are not necessarily those of the KLMC, SIDEP or SNV or any other person who were interviewed during the field visits.

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6 Note: In any evaluation exercise, it is always prudent to be able to attribute success or failures. In other words, one must be able to pose the question “what is driving the success / failures. Without this, chances are that the evaluation would miss this completely. As a result, some recommendations from this exercise would run a risk of being irrelevant or redundant because they would be solving a different problem.
2. Methodology

2.1 Study Administration
The Livestock Market study was undertaken by Quantum Africa’s research team comprising an institution development expert, risk expert, and a financial modeler under guidance from SNV and KLMC. There were a number of review meetings with the key stakeholders, especially when designing the areas to be covered during the field trips.

In undertaking the study, Quantum received technical assistance from the Centre for Research and Strategic Initiatives based in Nairobi, which included the provision of the sample design, sampling frame, sampling cluster maps, cluster guides, data weighting, and a review of the methodology.

2.2 Study Steps
The Quantum Approach is a three-step approach:

<table>
<thead>
<tr>
<th>Step 1: Carefully study and understand the business model and then calculate the Economic Value (EV) of the model.</th>
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<tbody>
<tr>
<td>EVA is the financial performance measure that come closest than any other to capture the true economic profit of an enterprise such as the Livestock Market. When measuring economic benefits of a revenue sharing policy or initiative that affects an ecosystem, we measure the total net economic benefit. This is the sum of consumer surplus plus producer surplus, less any costs associated with the policy or initiative.</td>
</tr>
<tr>
<td>This calculation will ensure the delivery of these key deliverables:</td>
</tr>
<tr>
<td>▪ Validation of the key hypothesis and assumptions mentioned above;</td>
</tr>
<tr>
<td>▪ Performance of an empirical analysis of the business model / partnership (including the key assumptions); Note: The business model refers to both LMA/County Council partnership and the input envisaged from STS;</td>
</tr>
<tr>
<td>▪ Derivation of potential profitability / losses intrinsic in the model under different scenarios.</td>
</tr>
</tbody>
</table>

Step 2: Undertake sensitivity and other risk analyses.
The sensitivity of the business model's financial return to changes in key economic forecasts will be thoroughly tested. This assessment will ensure the delivery of these key deliverables:

- Mapping out / identifying key drivers of successes / failures for the business models based on the identified scenarios (including sensitivity analysis);
- Identifying and recommending potential risks together with the appropriate mitigating strategies.

This methodology will enable us to examine the goal, purpose, outputs and activities of the business model against the backdrop of verifiable indicators, either explicit or implicit. LFA will ensure the delivery of these deliverables:

- Extracting and documenting “best practices” or “lessons learned”. These may include, for example, measures to increase compliance and efficiency together with potential “win-win” revenue sharing mechanisms. All this should be discussed in the context of PPP models appropriate in the ASAL region; and
- Based on the findings of item above, recommending potential basis/ avenues for up-scaling.

2.3 Training and Fieldwork
The study team received training over a two day period starting with orientation meeting by SNV personnel in Nanyuki and supported by visits to various stakeholders; SIDEP in Wamba, DLPO and STS in Maralal, among others. The orientation meeting was meant to ensure that members of the study team had a common understanding of the study requirements.
2.4 Data Gathering (participatory)
A decision was made that the team would not visit all livestock markets in the district but that it would concentrate its efforts in those that would be easy to get to and Lolkuniyani market in particular. Lolkuniyani had been singled out as a good example of a primary market where the hallmarks of the revenue share model was visible.

Information was then gathered from key informants in several markets within Samburu. These included: livestock traders, LMAs, key government departments such as Ministry of Livestock Development (Livestock Production and Marketing Departments (DLPO and DLMO), Department of Veterinary Services (DVO), KLMC, Commercial Banks such as K-Rep, other financial institutions such as STS, SNV and staff in selected NGOs and other bilateral/ international organizations.

This was followed by data collection from relevant institutions such as Ministry of Livestock Development (MLD), DLPO Samburu and Isiolo, Revenue Officer – SCC, the Livestock Information Knowledge Network Systems (LINKS) website, and SNV. Finally, a literature review of relevant materials was used for putting this report together.

2.5 Data Entry and Management
Data capture was carried out in tandem with the fieldwork, enabling queries to be sent back to the field for verification. Data entry was done at the desk by the field team to ensure correctness and the management is a continuous process of checks and counterchecks. Data is centrally stored in a repository under a file folder format that assures accessibility and version control.

2.6 Data Processing and Analysis
As has been established in previous studies, the data in the livestock sector are far from accurate or reliable and are incomplete in most areas. It comprises many estimations at all levels such that cross-checks are rarely possible. Accurate quantified analysis of the sector is a painstaking process and not possible in certain situations. However, the livestock interior markets baseline data is available in a shape that can be analysed and specific conclusions arrived at.

The interior markets data was processed and analysed using the Quantum Financial Analytical Toolkit (QFA) supported further by the Quantum Hazards Analysis (QHA) methodology which aims to assess the underlying risks and their mitigation. The Quantum team further undertook a risk workshop to brainstorm on the key issues raised during the deskwork and an attempt to bust some of the assumptions underpinning the revenue sharing model. The QFA is a robust analytical toolkit that tests the veracity of the data gathered and undertakes the following analyses: sales, cashflow, profitability/loss, breakeven, ROI, return-on-investment, market benchmarking, and EVA, among others. In addition it undertakes sensitivity analysis on price, volumes, etc, and consolidation reporting.

2.7 Report Writing
The report is written in two parts: Draft Report and Final Report. The Final Report incorporates the views and comments obtained from SNV. It represents the completion of the study of livestock markets and especially, the underlying revenue sharing model. It also incorporates feedback from a Stakeholder Workshop held in Eldoret on 2 May 2008 under the auspices of the Inter Council Forum. Further input was obtained from the Livestock Interest Group Meeting held at the Ministry of Livestock Development on 17 June 2008.

2.8 Acknowledgements
The study team would like to acknowledge the support and direct assistance provided by SNV- North Kenya Portfolio, the DLPO Samburu and Isiolo, the DVO Samburu, and the many other stakeholders met during the study and in particular the assistance of Abdi Wario of SNV who participated in all the field trips undertaken by the team and provided invaluable interpretation services, and Jamal Hussein whose extensive knowledge of Samburu district and driving skills ensured that the study team got to visit all the markets in its itinerary.
3. Profiling Pastoralism in Kenya

3.1 Context
Kenya is a country characterised by different land uses depending on climatic conditions. The drylands of the country are referred to as the arid and semi-arid lands (ASALs). The ASAL areas cover 80% of the country’s total land mass and are characterized by harsh and unpredictable climatic conditions. The map shown below clearly shows the ASAL areas of Kenya.

The predominant land use in the ASAL areas is pastoralism. This is because the ASAL areas cannot support sustained and reliable crop production. The key ecological features include harsh climatic conditions that are marked by low yearly rainfall (about 250-600mm), which shows high variability, both in space and time, coupled by year round high temperature (35-40°C). These climatic conditions result in short growing seasons often randomly scattered in space and time and low pasture.

The ASALs are however inhabited by a rich diversity of flora and fauna that are adapted to these conditions. The plants, which constitute pastures, are the main source of feed for pastoral herds. Pastoral systems therefore utilize the arid and semi-arid areas by converting the vegetation into useful animal products such as milk and meat on which the pastoralists depend for livelihood.

3.2 Pastoralism
Pastoralism is a system of production in which humans and domestic livestock live in a symbiotic relationship, making use of natural pastures on an extensive basis, the human population gaining the greater part of its support from the animals kept, both directly from milk and meat and indirectly through the exchange of livestock products for other goods. Livestock define the pastoralists’ life. It is the means to attainment of daily needs and aspirations of the pastoralists. In a pastoral system, there is a strong relationship between people, livestock (normally indigenous) and land.

The centrality of livestock in a pastoral system is what differentiates pastoralism from other animal production systems like ranching. The social and cultural system of pastoralists revolves around livestock. A pastoralist is therefore a person whose means of livelihood is mainly tending to, grazing and or browsing animals. The levels to which the livelihood is dependent on livestock vary with location, socio-economic and environmental factors, forming the basis for classification of the pastoral systems.

Pastoralism is a system under threat. The climatic change leading to long droughts, disease outbreaks like the recent Rift Valley Fever (RVF) and the long time political marginalization of pastoralists are factors

posing real challenges to pastoralism. The pastoral areas, despite their huge contribution to the local economy with respect to meat and milk production, have been neglected by successive Kenyan governments and are generally starved of development funds. The infrastructure status in the area is very poor and government investment minimal, yet pastoralists hold up to 50% of the national herd, with monetary value of over Kshs.60 billion.

3.3 Pastoralists and Wealth
Pastoralists in Kenya experience high incidences of poverty. In the Human Development Index (HDI) report of 2006, the pastoral districts lag behind on several development indicators. Several factors affect pastoral areas and pastoralists, creating a population vulnerable to food security, economic security, health security, community security, political security, environmental security and personal security.

These contributing factors include the collapse of a livelihood system, which has disrupted food production systems. The collapse of the livelihood system can be closely attributed to the disintegration of traditional institutions, which provided for ways to cope with calamities and disasters through the pre- and post disaster preparedness. Individualization due to capitalistic tendencies has also eroded social relations and networks such that peoples’ relations in the community are defined through competition rather than collaboration and sharing.

Appendix 1 presents an overview of the rural poverty levels in ASAL districts of Kenya where both pastoralism and agro-pastoralism is practiced. In most semi-arid districts, the poverty levels range from 39% - 53%, with 53% being the national average for persons living below the poverty line in rural areas. Five semi-arid districts experience poverty levels above 53% (i.e. 58%-70%). On the other hand, four arid districts (Baringo, Samburu, Isiolo and Marsabit) register 46%-53% poverty levels while five other arid districts (Turkana, Garisa, Mandera, Wajir and Moyale) have poverty levels of 62%-71%, which is well above the national average. Moyale has the poorest poverty incidence of 71%.

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9 Keiyo and Laikipia districts
10 West Pokot
12 Taita Taveta 58% and Trans Mara 59%
13 Kitui
4. Profiling the Study Area

4.1 Samburu District
The study area concentrated in Samburu District which is located in the arid parts of the Rift Valley. As mentioned previously the ASALs comprise approximately 80% of Kenya’s land area and about 75% of its livestock. Soils are characteristically low in fertility, shallow and highly erodable, often coupled with areas of high salinity. Climatic conditions in the district vary between lowlands and highlands. Rainfall, generally below 200 to 300mm per year, is usually erratic in season, duration and distribution.

Livestock is the main preoccupation of the local community with 98% of the households in the district engaged in livestock production as an economic activity. This has enabled the SCC to generate revenue cess and taxes from the ensuing livestock trade. However, livestock production is heavily dependent on rainfall and varies greatly between areas and seasons. The inherent local production systems adopt strategies aimed at mutual coexistence between humans and the livestock they depend on, often as their sole means of livelihood.

Figure 1: Livelihood classification of sample population

Source: PEDDEP Baseline Study, Van den Boorgard, March 2006

However like other pastoralist communities in Kenya, the common Samburu livestock producers are yet to realise maximum benefits from livestock trade due to a myriad of reasons that emanate from inefficiencies in the livestock value chain. These include but not limited to high number of middle men, long distance involved in trekking the animals to the marketplace, mortality en-route, high transport cost, local charges en-route, insecurity and theft to stock. Limited education coupled with language barrier amongst producers is also a hindrance to maximizing profits when they participate in distant markets.

4.2 Community Structures
Samburu has a population of 163,449, 98% of whom are pastoralists. The dominant ethnic group is the Samburu. Others include the Turkana, Borana, Somali, Rendille, Meru, Kikuyu and Pokot. Each of these tribes has its own structure of decision making in general and in resolving disputes. Among the Samburu’s the ‘morans’ protect the people and their livestock which is a source of livelihood. The elders

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14 Studies show that 50% of the producers travel for 50km or more to access markets. PEDDEP baseline Report 2006
15 34% amongst producers in the market place have never attended school, while 33 have only had few years in school. PEDDEP baseline Report 2006
guide the community and take final decisions on critical issues. This is reflected in the way local livestock markets are managed and led. Each market has an LMA comprising mainly community elders. Each of the LMA’s has a distinct leadership structure comprising: Chairman, Secretary and Treasurer.

Sample population of the household survey show that the highest average household sizes were observed in Samburu and Isiolo. In all districts, population in young age brackets (0-18 years) formed the majority of the sample population. The majority of households were headed by adults of medium age (between 30-55 years), except for Samburu were the elderly (above 55 yrs) were more significant group of household heads. Observations showed that Turkana had the highest number of female headed households (30%) followed by Samburu (26%).

Figure 2: Mean household composition

Source: PEDDEP Baseline Study, Van den Boorgard, March 2006

4.3 Access to Markets
The local economy heavily relies on livestock and its products. Several efforts have been attempted to develop markets and market infrastructures by the SCC allocating land for this purpose. Despite all the effort, pastoralists find it difficult to access these markets often trekking over long distances. In addition, they experience unfair pricing from the traders. Vulnerability to exploitation is two-fold and caused by the limited access to market information and the dependence on middlemen. But at national level there are limited policies that would control and regulate business transactions in a liberalised market economy. Deliberate efforts in understanding the demand and supply trends should be put in place to protect prices so that the whole livestock market system does not become sensitive to price fluctuations.

4.4 Access to Credit and Other Financial Services
At the local level, access to banking and credit facility is severely limited even in well established towns of the districts. In all the district headquarters banking facilities are available through the Kenya Commercial Bank and Post Offices. Because of the vast pastoralist areas, there are restrictions to the level of business transactions and hard cash is carried in bulk. This places considerable risk to the traders as they may lose their entire operational capital during travel.

The only available financial institutions in Samburu are Kenya Commercial Bank and the Post Office located in Maralal Town. Although K-Rep Bank has commenced a pilot to offer full banking services in the
district by opening a branch in Wamba Town (see Case Study 6 for the K-Rep story). This means that up to now for a local enterprising traders or middleman in the interior of the area access to such banking facilities is available only when one travels to Maralal. The traders risk a lot by traveling with large sums of money to the markets.

Other institutions offering limited credit facilities are STS\textsuperscript{16}, Women’s Groups, and the county council.

4.5 Access to Communications
Access to communications is vital for the growth and development of markets. A survey done by Steadman Group’s Research Unit on behalf of Financial Sector Deepening revealed that North Eastern Province (NEP) is severely limited in the number of communications items that households own. Samburu closely resembles NEP although it is located in the Rift Valley. Radio is the most popular mode of communication at 12.6% of the population. A further 0.2% own TVs. Given the small sample size and the result showing that no one owned a bicycle, motorbike, or car does not necessarily imply that no one in the district owns a bicycle. However, there is overwhelming evidence that lack of means of communications is a major constraint to economic development, especially with regards to livestock market development.

Table 1: Ownership of consumer goods (%)

<table>
<thead>
<tr>
<th>Ownership of consumer goods (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASE ALL</td>
</tr>
<tr>
<td>RESPONDENTS</td>
</tr>
<tr>
<td>Radio</td>
</tr>
<tr>
<td>Television</td>
</tr>
<tr>
<td>Bicycle</td>
</tr>
<tr>
<td>Motorcycle</td>
</tr>
<tr>
<td>Car</td>
</tr>
<tr>
<td>Refrigeration</td>
</tr>
</tbody>
</table>

Source: FSDKenya, FinAccess 2006 Survey

4.6 Case Study: Lolkuniyani Market
A livestock market of particular importance is Lolkuniyani and the study team spent a considerable time and effort in getting to study its history, establishment, management, profitability, revenue generation, etc. The case study below profiles the market in detail.

\textsuperscript{16} Samburu Traders Savings & Credit Cooperative Society Ltd (STS)
STS is a microfinance institution located in Maralal Town. It was established in 1988 and has grown steadily over the years to over 700 members mainly from the business community who conduct their businesses within Samburu district. The sacco’s prime objective is to eradicate poverty in the region by promoting savings and loans facilities to its members.

STS is exploring ways in which it can extend its services to the livestock sector in general and livestock markets in particular.
CASE STUDY 1 – Lolkuniyani Market
Lolkuniyani Market, Ngilai West Location; 8.30am, Thursday, 29th November 2007
Opens 8.00am (peak 9-11am)
Closes 3.00pm (livestock sale yard closes at 2.00pm)

The Lolkuniyani community comprises 800 households; which translates to a population of about 4,000. It’s more than 200kms towards the interior of Samburu and from the nearest town which is Isiolo. The road leading to it is poor and prone to flooding. The habitat is arid surrounded by acacia shrubs and sandy soil with little dwellings. There are hardly any basic services for the community.

Lolkuniyani market was formed in 2004. It is situated 20km from Wamba and 10km from Ngilai Central. The main sale yard measures 148ft by 145ft. There are a few basic amenities in the market such as toilets but there is no piped water. A project to build a dam and pipe the water to the market has commenced. The market is managed by Ngilai-West Group Ranch LMA which is a committee of 10 local elders elected for a 2 year term. The LMA structure is as follows: Chairman, Vice Chairman, Secretary, Vice Secretary, Treasurer, Members (5). Lolkuniyani market serves 8 clans namely;
1. Orukushu
2. Lukumai
3. Lemasula
4. Long’eli
5. Loimisi
6. Lepisikishu
7. Nyaparai
8. Lungwesi

The LMA and SCC have combined forces to provide security to the market and the traders before, during and after the market. The security is provided by the homeguards who are paid by the LMA or voluntarily help the community, together with the administration police from the county council.

It’s a commonly held belief that the establishment of the market has injected a new life into the community who are now able to get resources from sharing revenue from livestock trade with the county council and using it to implement their prioritized projects. The producers have been able to increase their margins by more than 40% implying that, before the market was established, this money never used to reach community.

After the market, this is where the LMA sits down to discuss the market and community issues in general and it is under this tree that decisions are made and passed.

The LMA –SCC partnership has provided employment opportunities to youth in the area. The market is a source of employment for them since they participate in the collection of cess and management of the livestock sale yard and are paid between Kshs.200-400 for their labour. Others supplement their income with other market related activities.

17 It’s estimated that there are 5 people per household within the location
Apart from livestock trade, the market has brought many other goods and services closer to the community, these services include: Agrovet services, trading of basic food stuffs, food vending, hawkers of second hand clothes and handcraft, etc (hawkers do not pay cess). According to the community, these services were not easily accessible before the emergence of Lolkuniyani market. It was more difficult and cumbersome to access these goods and services during rainy seasons due to poor roads, bridges, etc; however the services are now available every Thursday of every week which is the market day.

Buyers come mainly from Meru. There are intra-day traders who buy and sell stock at the market for profit. Brokers are also active but only participate in large purchases and for their own customers. The brokers make a profit of Kshs.50-100 per goat (less cess of Kshs.30 per goat). The negative effect is that the broker activity drives down prices in order to maximize on profits. Some traders bought livestock 40km away specifically to sell at the Lolkuniyani.

Some sellers come from as far afield as Baragoi (100km) and South Horr (200km) for the simple reason that they will get good prices for their livestock at Lolkuniyani. Most people walk or travel to and from the market to the nearest town centre (Wamba) by matatu. The matatu operators are taking advantage of their monopoly by charging exploitative fares. The fares charged from Wamba are as high as Kshs.200 for a one-way 20km journey.

The Financial Potential of Lolkuniyani Market (value per market day)
On a normal day, the market sells 539 shoats at an average price of Kshs.1,804; 50 cows at an average Kshs.14,823 per animal; and 12 camels at an average Kshs.14,655. When we factor in the multiplier effect (i.e. there are some animals that change hands a maximum of two times) then the market potential per market day is Kshs.2,440,091. This does not factor in the contribution from the non-livestock side of the part which is equally as busy. The analysis given below substantiates the amount circulating within the market on any given market day.

The market potential amount can enable financial institutions such as K-Rep to establish the extent to which it can intervene in the provision of banking and credit services. Taking an example of mortgaging lending: the bank would in most instances, assess the earning power of the individual and then multiply his earnings (plus potential earnings) by a factor of 3-3.5 to arrive at the maximum lending amount. If this scenario were to be applied to Lolkuniyani then K-Rep could, in effect, work directly with the LMA (which is the de facto producer based organization in the locality and lend them up to a maximum Kshs.7.2 million under better terms (such as payment period and interest rates) to further develop the market and upscale its operations.

Should this calculation be considered risky then a less risky approach could be for the bank to use the revenue generated per year through cess collection figure which amounts to Kshs.692,600 x 3 = Kshs.2,077,800. Lending this amount to the LMA is prudent since it is significantly below the market potential and will allow it to upscale the operations of the market to make it more profitable without carrying a high cost of borrowing.
The potential of the market is assured because as the market matures it attracts more established buyers who are likely to pay better prices. For example, the highest recorded sale price for a bull at the market is Kshs.22,000. This sort of price would drive up the market average and positively affect the turnover.

Secondly, the cattle sold are mainly bulls, heifers are hardly sold because (1) they are very expensive; and (2) the owners are unwilling to sell since they get milk from them. Increased sale of heifers would automatically push up the average market price.

Third, the market relies heavily on trust and there is no foolproof system of stopping stock theft. They rely on community knowledge and people know their own stock and can identify them since every clan has its own brand. Fourth, there appears to be no aggressive sales or marketing effort (sellers simply bring their stock to the market and wait for someone to come and buy). Coupled with the markets susceptibility to broker activity, the net effect is a downward pressure on average prices.

Revenue Generated per Market Day
Whereas the profit from the transactions taking place within the market goes to individuals, the real profit is in the revenue generated for and on behalf of the community. This is done in the form of cess which is shared equally between the LMA and SCC. The cess amount per animal sold is fixed across the district at Kshs.200 for cattle and camel, and Kshs.60 for shoats.

The receipting of cess is done by the LMA and not SCC for the reasons that
this arrangement is not gazetted and to use official county council receipts would make it difficult for the council to be paid their portion of cess. A copy of the receipt is shown above.

The Revenue Officer’s records at SCC suggest that Lolkuniyani generated Kshs.579,420 in cess collection in 2007. Quantum’s analysis of all available data suggests that the amount could be as high as Kshs.692,000. The cause of the difference is explained in a later section.

Table 3: Amount of cess collected at Lolkuniyani market in 2007

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount</th>
<th>Units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shotes</td>
<td>Cattle</td>
<td>Shotes</td>
</tr>
<tr>
<td>January</td>
<td>78,000</td>
<td>10,000</td>
<td>1,300</td>
</tr>
<tr>
<td>February</td>
<td>50,000</td>
<td>6,000</td>
<td>833</td>
</tr>
<tr>
<td>March</td>
<td>59,000</td>
<td>3,000</td>
<td>983</td>
</tr>
<tr>
<td>April</td>
<td>18,000</td>
<td>2,000</td>
<td>300</td>
</tr>
<tr>
<td>May</td>
<td>31,000</td>
<td>5,200</td>
<td>517</td>
</tr>
<tr>
<td>June</td>
<td>39,500</td>
<td>2,500</td>
<td>658</td>
</tr>
<tr>
<td>July</td>
<td>42,000</td>
<td>2,000</td>
<td>700</td>
</tr>
<tr>
<td>August</td>
<td>45,000</td>
<td>4,600</td>
<td>750</td>
</tr>
<tr>
<td>September</td>
<td>52,000</td>
<td>4,000</td>
<td>867</td>
</tr>
<tr>
<td>October</td>
<td>51,000</td>
<td>1,600</td>
<td>850</td>
</tr>
<tr>
<td>November</td>
<td>40,500</td>
<td>6,000</td>
<td>675</td>
</tr>
<tr>
<td>December</td>
<td>22,400</td>
<td>4,000</td>
<td>373</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>528,400</td>
<td>50,900</td>
<td>8,807</td>
</tr>
</tbody>
</table>


The revenue report shown above also reveal that the months of January, May and November are the peak months in terms of sales and revenue generation. This correlates to the reason the pastoralists give for selling their animals; emergency, school fees, medicine for sick animal, drought, etc.

During the last quarter of the year, there is rainfall therefore abundant pasture. In their view, there is more production during the rainy season and that is the reason why the supply is low. The traders claim that, they come to Lolkuniyani market because the production around the area is high and it has best prices of livestock.

**Social and Infrastructural Problems at the Market**

The success of Lolkuniyani has generated some social and infrastructural problems which needs urgent addressing. Infrastructural problems are probably easier to overcome than the social ones.

**Infrastructural:**

- **Lack of running water:** Market operatives are forced to carry own jerry can of water and the animals spend the entire day in the market without drinking water. A thirsty and haggard looking animal is unlikely to fetch a good price. Every effort should therefore be made to provide for water in the market (especially in the sales yard). Fortunately a solution to this major problem is being sought and a project to pipe water from a nearby dam has commenced;

- **Lack of permanent structures:** The fencing around the livestock sales yard and holding pens is made from twigs and branches. Given the perceived success of the market, a much more concerted
effort should be made to provide for more permanent fencing and gates. This will greatly enhance the security system;

- **Lack of good access roads:** The road to the market is a lonely dirt truck that meanders through a riverbed. The river is prone to flooding and when it does then access to the market is virtually impossible. Some traders coming from very long distances prefer to set out the evening before or very early in the morning (e.g. 5am) and trek their animals to the market. This journey is dangerous since it passes through a lonely and sometimes dangerous terrain;

- **Standing-room only:** The entire market place lacks seats or places to sit and rest other than at the makeshift ‘hotel’ structures where one will find a stool to sit on. It is observable that people are left standing all day. Investment in sitting structures, like benches along the wall of the sale yard, will greatly enhance the value of the market.

**Social:**

- **Alcoholism:** It is observable that there is a permanent bar on site which is open all hours. The origins of the bar can be traced back to the establishment of the livestock market. This is a natural development since economic activities tend to feed off each other. The emergence of this bar has, however, given rise to excessive drinking and in some case alcoholism especially among the youth. Alcoholism has bred violent behaviour among the youth, unprotected sex, and diversion of money meant for feeding the family into drink. The violent behaviour is so severe that a rule has been applied to bar the carrying of knives or swords to the market. This is due to an incident where a drunken youth knifed his colleague to death after a heavy bout of drinking. Second, the attraction of the bar is such that people squander all the money they got from selling their animals at the market resulting in neglect of the family and other dependants.

There are some socio-economic benefits accruing from Lolkuniyani;

- **Employment:** Most of the youth in the area are unemployed and they spend all their time hanging around the market, even on non-market days. It is difficult to determine what would create jobs for the youth other than the market because the market is the only economic activity or enterprise taking place as far as the eye can see. It is recognized that thus far the market has been a source of employment for the youth since they participate in the collection of cess and management of the livestock sale yard and are paid between Kshs.200-400 for their labour. Others supplement their income with other market related activities. At some point, the market used to pay the salaries of the Nursery School teachers at Kshs.3,000 per month. Since unemployment is a very debilitating situation to be in it is imperative that market operations be up-scaled so as to create new job opportunities.

- **Community Welfare:** The revenue generated from the market is directed towards helping vulnerable members of the community. A major percentage of which goes towards paying of school fees for talented children from poor families in the community.
5. Profiling Livestock Population and Health

5.1 Background
The livestock sector is one of the major sub-sectors in the agricultural sector. The total value of livestock production amounted to Kshs.15.5 billion in 2001 according to the CBS Statistical Abstract 2002, which represents nearly 20% of the total value of agricultural, permanent crops (tea, coffee etc) and industrial crop production. This is larger than the coffee and cereal sub-sectors, but smaller than the tea sub-sector. Cattle, shoats and hides and skins represent nearly 72% of the total value of livestock production, or 14% of total agricultural sector production. Exclusion of tea and sugar cane would raise the contribution of cattle and shoats to 30% of agricultural production. The study team estimate of the value of turnover in cattle is higher at about Kshs.24 billion if all slaughtered stock and offal are taken into account. In addition, the total asset value of all cattle amounts to about Kshs.80 billion.

Pastoral producers and small private entrepreneurs dominate the sector. While the ranches and high quality meat traders represent only 3% of the total red meat consumed. It is estimated that the red meat marketing chains employ over 100,000 people. Red meat is a major component of the diet of most Kenyans.

5.2 Overall Demand and Supply for Red Meat
The current overall demand and supply situation for Kenya in isolation is that domestic livestock supplies are well below the demand for red meat, a deficit that is made up by significant movements of livestock across the borders with its neighbouring countries such that domestic numbers are more or less permanently augmented with imported stock. It has been argued by experts that currently there exists an oversupply of livestock in Kenya due to a depressed domestic demand and the absence of export market opportunities. Historically, consumption by the bulk of consumers, whose incomes are low, is constrained by the general decline in their purchasing power. The proportion of higher income consumers is low and demand for higher quality meat by tourists has fallen due to a decline in the tourist industry.

Livestock supply in Kenya is a result of a complex set of interactions between the country, its neighbours and the traditional Middle East market and their respective livestock populations, demand and market prices. Kenya is part of a regional market where livestock flow according to markets and price differentials.

5.3 Cattle Production
The annual supply of cattle fluctuates markedly due to periodic major droughts which cause pastoralists to sell large numbers of cattle, and uncontrolled flows of cattle into Kenya from neighbouring countries aimed at the higher prices in Nairobi and Mombasa. Other factors play a role including political instability, conflicts, disease outbreaks and droughts in these countries, or the countries to which they market livestock or livestock products. Kenya is part of a North East Africa regional production area and market that interacts across national boundaries. Kenya’s pastoral supplies stem from an area that is twice the size of that contained within its national boundary. Cattle are trekked or transported considerable distances from neighbouring countries often dominating supplies in Nairobi, which acts as a central market for cattle from the region of six countries as a whole. The overall situation is that Kenya alone cannot supply its demand for red meat. Developing an export market for Kenya therefore means drawing in imports from neighbouring countries on a large scale. This can be justified as it adds value to a commodity for re-export, provided there is a sufficient price differential through exporting higher quality meat while importing lower quality meat.
Climate is a determining factor in livestock production in Kenya. Livestock production over the past 10 years has been seriously affected by an increasing frequency of natural disasters. Before 1990 droughts occurred on average every 7 – 10 years. Since then two severe droughts occurred in 1992-3 and 1999-2000, the latter being considered by pastoralists as the worst in living memory during which at least 35% of pastoral cattle and 20% of small stock were lost resulting in destitution of many pastoralists. In 1997-98 the exceptionally heavy El Nino rains caused further losses through livestock diseases and ailments as well as drowning.

Insecurity in the ASAL areas has become an increasingly serious problem. Lack of water and grazing has disrupted pastoral coping mechanisms. Large areas of the abundant forage that followed the El Nino rains in 1998 were unused because of fears of livestock rustling. This forage, upon drying, was consumed in devastating fires.

East African Zebu cattle, produce up to 67% of beef marketed, and with their tolerance of disease, poor nutrition, water shortage and climate extremes, are able to survive and grow slowly in the harsh conditions prevailing in those areas.

5.4 Livestock Production as an Economic Activity

Among the pastoralists in Kenya, the economic activity is around production and exploitation of animals in a nomadic or semi-nomadic setting, while depending on the primary production vegetation and water (Boogaard, 2003). Thus the pastoralist production system is considered a rational response to highly variable natural conditions, in terms of rainfall and grass supply in arid and semi-arid environments.
(Haagsma, B., and Hardeman, J., 1998). Mobility is the key characteristic of the pastoralist production system, which is based not only on the opportunistic management of resources (fodder and water) but also to escape from diseases, cattle raids, war or to find refuge with related groups with whom one has entitlements for support (KPF, 1997). But over recent times, internal and external conditions have severely undermined the operation of these rational production systems resulting in the marginalization of pastoralist communities.

Whereas the livestock management and production of diverse species is paramount, pastoralist often combine it with other activities that are open to them such as: hunting, food gathering, crop-cultivation, fishing, eco-tourism etc. Depending on how such opportunities arise and the degree to which the production system is under stress, increasingly many pastoralist households are shifting towards diversifying and securing their livelihoods.

It is generally observed that coping strategies to building livestock asset bases -especially in terms of numbers and diversification of species- are maintained. Livestock assets are created when adequate production leads to surplus that is beyond immediate consumption requirements. High numbers of livestock create a buffer against the risks and uncertainties of the environment. Such assets generated through the production systems, are cashed in when household face food crisis so as to meet immediate food requirements. With the reserves, the Samburu people are then able to maintain the purchasing power for a certain period of time. Limitation in access to market is a main issue that prohibits asset diversity among pastoralists.

5.5 Major Livestock Production Areas
Samburu is the third major livestock producing area in Kenya. The district recorded a livestock population of 2,083,675 in 2006 and this is expected to grow by 17% to 2,443,645. The table below illustrates the incremental changes in livestock population in the study area. One of the main areas of study, Wamba, contributes 16% of the total heads of cattle population, 19% shoats, and 44% of the total camel population in the district.

The imbalance between shoats and cattle in the markets within Samburu is caused by migration, agricultural practices (fewer cows), habitat, buyer awareness – the Bhurghis from Marsabit are the main buyers and they only buy shoats.

| Table 4: Livestock population figures and distribution for Samburu district |
|-----------------------------|-----------|----------|---------|
|                             | Cattle    | Shoats   | Camel   | Total    |
| Samburu District            |           |          |         |          |
| 2006 Livestock Population  | 207,190   | 1,856,024| 20,461  | 2,083,675|
| % Incremental Growth        | 12%       | 18%      | 5%      | 17%     |
| 2007 Livestock Projected Population | 232,053  | 2,100,108| 21,454  | 2,443,645|
| Wamba Division              |           |          |         |          |
| 2006 Livestock Population (Wamba Div.) | 33,410    | 350,193  | 9,057   | 392,660 |
| % of 2006 Total Popin       | 16%       | 19%      | 44%     | 19%     |
| 2007 Livestock Population (Wamba Div.) | 37,419    | 413,228  | 9,510   | 460,157 |
| % of 2007 Total Popin       | 16%       | 19%      | 44%     | 19%     |

Source: Livestock Markets Study, Quantum Africa, December 2007
5.5.1 Livestock Population in Wamba

Wamba is one of the six divisions in Samburu. It is located in the Eastern part of the district border Isiolo district.

Wamba has a livestock population of 460,157 and this is projected to grow to 871,596 by year 2011 barring any major drought or disease outbreak. Wamba has the largest population of camels in the district (44% of total population). The division houses one of livestock markets success stories – Lolkuniyani market.

Table 5: Estimated livestock numbers by divisions for 2006 - Wamba

<table>
<thead>
<tr>
<th>Division</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Camels</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lorroki</td>
<td>35,497</td>
<td>208,441</td>
<td>525</td>
<td>244,463</td>
</tr>
<tr>
<td>Kirisia</td>
<td>37,582</td>
<td>441,551</td>
<td>655</td>
<td>479,788</td>
</tr>
<tr>
<td>Baragoi</td>
<td>35,497</td>
<td>269,962</td>
<td>1,570</td>
<td>307,029</td>
</tr>
<tr>
<td>Nyiro</td>
<td>36,636</td>
<td>347,212</td>
<td>2,619</td>
<td>386,467</td>
</tr>
<tr>
<td>Wamba</td>
<td>33,410</td>
<td>350,193</td>
<td>9,057</td>
<td>392,660</td>
</tr>
<tr>
<td>Waso</td>
<td>28,568</td>
<td>238,665</td>
<td>6,035</td>
<td>273,268</td>
</tr>
<tr>
<td>Total 2006</td>
<td>207,190</td>
<td>1,856,024</td>
<td>20,461</td>
<td>2,083,675</td>
</tr>
<tr>
<td>Incremental %</td>
<td>12%</td>
<td>18%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2007 Projected Population</td>
<td>232,053</td>
<td>2,190,108</td>
<td>21,484</td>
<td>2,443,645</td>
</tr>
<tr>
<td>2008 Projected Population</td>
<td>259,899</td>
<td>2,584,328</td>
<td>22,558</td>
<td>2,866,785</td>
</tr>
<tr>
<td>2010 Projected Population</td>
<td>326,017</td>
<td>3,598,418</td>
<td>24,870</td>
<td>3,949,306</td>
</tr>
<tr>
<td>2011 Projected Population</td>
<td>365,140</td>
<td>4,246,133</td>
<td>26,114</td>
<td>4,637,387</td>
</tr>
<tr>
<td>Expected Incremental Units for 2007</td>
<td>24,863</td>
<td>334,084</td>
<td>1,023</td>
<td></td>
</tr>
<tr>
<td>Totals 2007</td>
<td>232,053</td>
<td>2,190,108</td>
<td>21,484</td>
<td></td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Volume - Wamba Division</td>
<td>37,419</td>
<td>413,228</td>
<td>9,510</td>
<td>460,157</td>
</tr>
<tr>
<td>2007 Projected Population</td>
<td>41,910</td>
<td>487,609</td>
<td>9,985</td>
<td>539,504</td>
</tr>
<tr>
<td>2008 Projected Population</td>
<td>46,939</td>
<td>575,578</td>
<td>10,485</td>
<td>632,902</td>
</tr>
<tr>
<td>2009 Projected Population</td>
<td>52,571</td>
<td>678,946</td>
<td>11,009</td>
<td>742,527</td>
</tr>
<tr>
<td>2011 Projected Population</td>
<td>58,880</td>
<td>801,157</td>
<td>11,559</td>
<td>871,596</td>
</tr>
<tr>
<td>2007 Projected Sales Lolkuniyani Mkt</td>
<td>374</td>
<td>9,662</td>
<td>190</td>
<td>10,227</td>
</tr>
<tr>
<td>2008 Projected Sales Lolkuniyani Mkt</td>
<td>419</td>
<td>11,401</td>
<td>200</td>
<td>12,020</td>
</tr>
<tr>
<td>2009 Projected Sales Lolkuniyani Mkt</td>
<td>469</td>
<td>13,454</td>
<td>210</td>
<td>16,133</td>
</tr>
<tr>
<td>2010 Projected Sales Lolkuniyani Mkt</td>
<td>526</td>
<td>15,875</td>
<td>220</td>
<td>16,621</td>
</tr>
<tr>
<td>2011 Projected Sales Lolkuniyani Mkt</td>
<td>589</td>
<td>18,733</td>
<td>231</td>
<td>19,553</td>
</tr>
</tbody>
</table>

Composition of livestock per division in Samburu District

<table>
<thead>
<tr>
<th>Division</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Camels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lorroki</td>
<td>17%</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td>Kirisia</td>
<td>18%</td>
<td>24%</td>
<td>3%</td>
</tr>
<tr>
<td>Baragoi</td>
<td>17%</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>Nyiro</td>
<td>18%</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>Wamba</td>
<td>16%</td>
<td>19%</td>
<td>44%</td>
</tr>
<tr>
<td>Waso</td>
<td>14%</td>
<td>13%</td>
<td>26%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Lolkuniyani serves both Wamba and Waso Divisions

% of Animal Population | 30% | 32% | 74% |

2007 Actual Sales | 255 | 8807 |

% of 2007 Projected Population | 0.11% | 0.40% |

Source: Livestock Markets Study, Quantum Africa, December 2007
5.5.2 Livestock Population in Kirisia

Kirisia division lies to the south of Samburu district and borders Laikipia. It houses a key livestock market at Suguta Marmar. The current livestock population in the division is 563,810 and this is projected to increase to 1,077,230 by year 2011 barring any major drought or disease outbreak. The predominant breed is shots (24% of total population). This is so due to the vegetation surrounding the area. Its close proximity to the Laikipia border has resulted in increased cases of insecurity.

### Table 6: Estimated livestock numbers by divisions for 2006 - Kirisia

**Summary livestock population figures and distribution for Samburu District**

#### Estimated Livestock Numbers by Divisions for 2006

<table>
<thead>
<tr>
<th>Division</th>
<th>Cattle</th>
<th>Shoats</th>
<th>Camels</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lorroki</td>
<td>35,497</td>
<td>208,441</td>
<td>525</td>
<td>244,463</td>
</tr>
<tr>
<td>Kirisia</td>
<td>37,582</td>
<td>441,551</td>
<td>655</td>
<td>479,788</td>
</tr>
<tr>
<td>Baragoi</td>
<td>35,497</td>
<td>269,962</td>
<td>1,570</td>
<td>307,029</td>
</tr>
<tr>
<td>Nyiro</td>
<td>36,636</td>
<td>347,212</td>
<td>2,619</td>
<td>386,467</td>
</tr>
<tr>
<td>Wamba</td>
<td>33,410</td>
<td>350,193</td>
<td>9,057</td>
<td>392,660</td>
</tr>
<tr>
<td>Waso</td>
<td>28,568</td>
<td>238,665</td>
<td>6,035</td>
<td>273,268</td>
</tr>
<tr>
<td><strong>Total 2006</strong></td>
<td><strong>207,190</strong></td>
<td><strong>1,856,024</strong></td>
<td><strong>20,461</strong></td>
<td><strong>2,083,675</strong></td>
</tr>
<tr>
<td><strong>Incremental %</strong></td>
<td>12%</td>
<td>18%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>2007 Projected Population</td>
<td>232,053</td>
<td>2,190,108</td>
<td>21,484</td>
<td>2,443,645</td>
</tr>
<tr>
<td>2008 Projected Population</td>
<td>259,899</td>
<td>2,584,328</td>
<td>22,558</td>
<td>2,866,785</td>
</tr>
<tr>
<td>2010 Projected Population</td>
<td>326,017</td>
<td>3,598,418</td>
<td>24,870</td>
<td>3,949,306</td>
</tr>
<tr>
<td>2011 Projected Population</td>
<td>365,140</td>
<td>4,246,133</td>
<td>26,114</td>
<td>4,637,387</td>
</tr>
<tr>
<td><strong>Total 2005</strong></td>
<td><strong>264,270</strong></td>
<td><strong>1,965,916</strong></td>
<td><strong>20,461</strong></td>
<td><strong>2,250,647</strong></td>
</tr>
<tr>
<td><strong>Expected Incremental Units for 2007</strong></td>
<td>24,863</td>
<td>334,084</td>
<td>1,023</td>
<td></td>
</tr>
<tr>
<td><strong>Totals 2007</strong></td>
<td><strong>232,053</strong></td>
<td><strong>2,190,108</strong></td>
<td><strong>21,484</strong></td>
<td></td>
</tr>
</tbody>
</table>
| **Composition of livestock per division in Samburu District**

<table>
<thead>
<tr>
<th>Division</th>
<th>Cattle</th>
<th>Shoats</th>
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<tbody>
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<td>17%</td>
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</tr>
<tr>
<td>Wamba</td>
<td>16%</td>
<td>19%</td>
<td>44%</td>
</tr>
<tr>
<td>Waso</td>
<td>14%</td>
<td>13%</td>
<td>29%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Livestock Markets Study, Quantum Africa and LINKS, December 2007
5.6 Impact of Animal Health on Livestock Production

Animal health is critical to effective livestock production and success of any interior livestock market. It is a well considered fact that a healthy animal will fetch a higher price at the market than one that is deemed to be unhealthy or appears to be underweight. Better animal prices will result in more people visiting and participating in the economics of the market. This, in turn, will attract more traders and as a result more animals for sale. But where animals congregate health risks arise. In addition, migration of animals requires certification, by way of a movement permit, thus emphasizing the crucial role that the veterinary services offices play in the livestock value chain. The health of the animal therefore becomes an important factor in the creation and sustainability of an interior market.

A workshop\textsuperscript{18} held by Farm-Africa in 2002 in Nanyuki and bringing together a number of key stakeholders in the livestock sector, determined that since pastoralism is the way of life of virtually all the people living in the ASALs then livestock diseases are, naturally, one of their major concerns. It was concluded that treating all these diseases was beyond the capability of central government because the region is vast; pastoralists moved around with their herds frequently and range widely, while the government veterinary services are centralized and sedentary. As a result, fake vets moved in to fill the gap and misuse of veterinary drugs became commonplace.

This problem has been further complicated by the proliferation of livestock markets within the region making it more difficult for the vet officers to monitor animal diseases.

It was resolved that a way had to be found to overcome these logistical issues to make it easier for the pastoralists to access vet drugs and services with relative ease, especially those farthest from the main towns. The thinking was that if this could be realized then disease burden would lessen and livestock production would increase.

The result was the creation, training and support of the Community-based Animal Health Workers (CAHWs).

5.6.1 The Role of Government in Livestock Production and Development

Government has a strategic role to play in the development of livestock across the country and the control of diseases. The MLD\textsuperscript{19} has set up a veterinary department to manage and control animal diseases and pests. The department is divided into 10 divisions with distinct functions:

1. **Veterinary Disease Control** – to control and eradicate epizootic notifiable diseases in collaboration with stakeholders, facilitate and regulate trade in animals and animal products;
2. **Vector Control** – to control and eradicate vectors such as tsetse and ticks in collaboration with stakeholders;
3. **Veterinary Laboratory Services** – to undertake disease diagnosis, epidemiological surveys, quality assurance of veterinary inputs, and acquire, test and adopt new technologies;
4. **Veterinary Epidemiology, Surveillance and Economics** – to undertake disease surveillance;
5. **Veterinary Public Health** – to ensure safety of food of animal origin;
6. **Veterinary Training and Clinics** – to undertake human resource development;
7. **Artificial Insemination Services** – to regulate the provision of AI services;
8. **Veterinary Extension** – to provide extension services;
9. **Veterinary Project Management Support Unit** – to coordinate project planning, monitoring and evaluation;
10. **Veterinary Administration and Management Support Services** – to provide support services.

\begin{table}[h]
\centering
\begin{tabular}{|l|l|}
\hline
A formal list of Notifiable Diseases & \hline
CCPP/CPBB & Babesiosis \\
Foot and Mouth & Rinderpest \\
Mange & Mastitis \\
Coenurosis & Bloot \\
Anthrax & Blackquarter \\
Pneumonia & 3 day sickness \\
ECF & Rabies \\
Heartwater & Worms \\
Anaplasmosis & Diarrhoea \\
Enterofaxaemia & ORF \\
Plant poisoning & Sheep and Goat Pox \\
Pus & \\
\hline
\end{tabular}
\caption{A formal list of Notifiable Diseases}
\end{table}

\textsuperscript{18} Farm-Africa Animal Health Best Practice 2002
\textsuperscript{19} The Ministry of Livestock Development Strategic Plan (2005-2009)
5.6.2 The Role of the District Veterinary Office (DVO) in controlling Animal Diseases and Pests

The DVO have enormous powers as far as animal diseases control is concerned but they cannot infringe on people’s capacity to earn a livelihood. The DVO has, therefore, to exercise a delicate balancing act and enormous restraint when it comes to regulating the affairs of the interior livestock markets.

The Animal Diseases Act governs and specifies responsibilities during movement of livestock. It also outlines rules surrounding permit approval and specifies behaviours and requirements in the event of a disease outbreak. All animal movements are accompanied with the appropriate Movement Permit, issued by the DVO. The No Objection and Movement Permits are useful tools for disease control and are used during disease outbreak.

In the event of the outbreak of a notifiable disease then the options open to the DVO are: impose quarantines, restrict livestock movement, and/or undertake vaccinations. It is worth noting that no quarantines imposed in the last four years – a sign of the important work being done by the vets.

The DVO’s role in animal disease control is clearly defined and conforms to international law. Kenya has in the past been locked out of the lucrative European livestock market and the government is looking to reverse this by focusing on animal movement controls and the eventual creation of Disease Free Zones (DFZs). The benefits of these interventions and controls will trickle down to the interior markets through better animal husbandry and better prices. The DVO is therefore a critical factor to the success of interior markets and should be involved in all aspects of the markets, from creation to expansion.

The DVO’s role is to:
- Monitor disease and issue permits;
- Monitor livestock movement;
- License livestock movement (including routes to be used and the mode of transport);
- Monitor livestock sales (each market must be manned by someone from the DVO);
- Monitor the emergence of interior markets throughout the region (although this is difficult to do properly with the resources available).

The DVO works closely with the KLMC to harmonize livestock trade in the country through regulation and the provision of technical advice. They, however, do not sit on the board of the KLMC.

The divisional staff at the county council will inform the DVO of the emergence of a new market by giving notice that a new market is coming up. The SCC, DLPO and DVO are then expected to assess how they fit in. However, the DVO has no capacity to control the emergence of interior markets in the 109 sublocations of Samburu since they are inadequately resourced. Equally, the DVO has no authority to stop the opening of new markets except on grounds of disease control. The DVO is not part of the approval process for opening a new market and has no power of veto. The DVO has no mandate to regulate the market but he has in his powers to close it down if it poses a health risk to both human and animals.

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20 Cap 364 of Animal Diseases Act
21 According to the Samburu DVO, Ol Pejeta Conservancy has created DFZs around their ranches resulting in them being able to access international market and command very good prices for their animals
22 Vision 2030 targets the creation of 3 DFZs; Laikipia, Taita Taveta, and Western Kenya (probably in Eldoret)
The DVO calculates that 10,000 shoats and 1,000 heads of cattle is moved every month to other parts of Kenya, mainly to Nairobi, Nakuru, Nanyuki, Laikipia, and Gilgil. These numbers are obtained from the number of permits accompanying the animal movement. The DVO also states that the average animal population in Samburu is 200,000 head of cattle and 2 million shoats. These numbers are gained from vaccination data but no formal census has been undertaken. The DVO numbers conform to the study team’s analysis and projection data which calculates that there are 207,190 heads of cattle and 1,856,024 shoats and 20,461 camels.

5.6.3 The Role of the Community-based Animal Health Workers (CAHWs)

During the study team’s visit to Lolkuniyani market, the team noticed an individual who seemed to represent the DVO and issue reports to the DVO’s office, but who hadn’t previously been captured within the DVO structure. This prompted a number of questions. Who was he, and whom does he represent?

In all markets visited there is a cadre of community-based animal health workers (CAHWs) who handled and dispensed drugs. CAHWs had, either by themselves or through assistance from certain NGOs, begun to set themselves up in business by owning and running drug stores during market days.

The first batch of CAHWs were trained in 1994-5 through the Pastoralist Development Project (PDP). In 2002 Farm-Africa redesigned the approach and enhanced the training of the CAHWs by doing the following:

- It worked with stakeholders to develop a selection criteria for those to be trained as CAHWs and had community members help select the trainees;
- It trained and equipped 200 CAHWs with drug kits on a cost sharing basis. The trainees received their drug kits immediately on completion of their training;
- It linked the CAHWs with commercial drug suppliers who could provide them with a reliable supply of quality drugs and give them advice on how to use the drugs;
- It linked the CAHWs with the DVO and other government vets, who could monitor, supervise and guide them in policy matters;
- It set up monitoring and evaluation systems for monitoring CAHW activities;
- It mobilized CAHWs to take on outreach services to broaden their coverage and improve their competence with the wider experience.

CAHWs are therefore volunteers who can be called upon by the DVO to assist with the monitoring of diseases during market days since they are all based somewhere in the market, usually with some other affiliated business (the one we met ran a shop selling various animal health/ disease control products).

They are trained on the basics of animal diseases and are able to identify diseases and report to the DVO immediately. They work with the DVO because the latter lacks adequate human resource to cover the vast Samburu district. In addition, since the CAHWs visit the markets frequently, they are an important contact point to the DVO. The DVO refers to CAHWs as ‘village doctors’ and from time to time calls upon them to assist in disease control in the district. But the link to the DVO is very loose. The DVO uses them for publicity of important veterinary information and linkage between the DVO and the livestock markets. CAHWs inform the villages on when the DVO will be visiting to vaccinate animals or treat various diseases.

The DVO prefers to use CAHWs to give directives because by their nature pastoralists are very suspicious people. Although the CAHWs used to be equipped with rudimentary drugs kits they lack knowledge of pharmacology. They are not expected to perform minor or basic treatment to common animal diseases. The CBHW make oral or written reports of the markets to the DVO.

Although 200 CAHWs were trained in the 90’s, there are 20-30 who are currently active and committed. Wamba provides a case in point where there are now only 6 who are active out of 100 trained. They play an integral role in the markets by identifying diseases and reporting to the DVO therefore makes them an important contact for publicity purposes.

The DVO has set criteria for identifying the right people for the role of CAHW, namely:
- Individual must be an active market participant in some way
- Must demonstrate commitment
- Must be literate (to be able to provide written reports)
- Must have an individual interest in the market’s activities

Whereas it is recognized that the CAHWs play an integral role in the affairs of the interior markets, there are a few emotive or contentious issues that must be dealt with in order that they can perform their role without fear or favour.

- Their involvement with the practice of veterinary medicine and ability to distribute drugs is causing friction with organized groups such as Kenya Association of Veterinarians, etc;
- Their limited qualifications, and the consequent scope of their role;
- Limited communication between the CAHWs;
- They experience major logistical problems because of the distances involved (although their transport costs are normally sponsored by the DVO or interested NGOs).

The CAHWs are exploring the idea of forming their own association to represent their interests and develop their capabilities further.
6. Profiling the Livestock Markets

6.1 Constrained Market Access by Livestock Producers
Despite the evidence of increasing stability and economic growth in Kenya, rural populations, especially the pastoralists remain economically vulnerable. This is partly due to the fact that over 80% of the rural populations are engaged in small-scale agriculture. Whereas the poor agricultural performance may be the underlying cause, an immediate cause of low rural incomes is the lack of market access. In turn, the constraints imposed by limited market opportunities adversely affect and reduce livestock production since earnings are reduced and access to inputs constrained.

A combination of factors explains the constrained access to market opportunities as being:

- Over-reliance on fragile local markets;
- Lack of access to, and knowledge about, alternative markets;
- Restrictive trading regulations and unfavourable policies;
- Inability to organize themselves into market bodies capable of aggregating product and creating economy of scale and bargaining power;
- Difficulty in recognizing livestock marketing opportunities; and
- Lacking the necessary information and resources to sell produce at the optimum time and price.

Access to markets is therefore critical in order to diversify and strengthen pastoralists’ livelihood. Lack of market access would inevitably lead to poor income outlook. The barriers to livestock trading are enormous and include:

6.2 Challenges facing Livestock Markets

- Lack of reliable, timely and relevant market information
- Lack of a clear government policy towards livestock marketing development
- Inefficiency in the supply chain
- Poor and inadequate infrastructure e.g. roads, water, etc
- Non maximisation of products through value addition
- Inadequate commercial orientation within the livestock producers, i.e. pastoralists
- Markets have become politicised because they are championed by councillors from the various political wards. Councillors champion the creation of markets in their own constituency for additional political kudos and gain and they do not normally consult the various government agencies
- The DVO has no capacity to control the emerging markets in the 109 sub-locations. They currently have 4 trained animal health assistants and have to rely extensively on support from CAHWs.
- There is a significant loss of trade due to illiteracy and ignorance
- Some market lifespan is often short mainly due to political interference or because the market fails to fulfill local requirements. Often brokers or other intermediaries start markets near existing ones for speculative reasons and for personal gain
- Political rivalries and cartels
- Lack of adequate security in the main livestock routes
- Low supply of livestock especially during droughts, etc
- Quarantines due to disease outbreaks.

6.3 The Concept of Markets
An efficient market can provide opportunities for livestock producers, but designing a market system when many underlying support mechanisms are weak or missing has proven a challenge. There are some exceptions to this truism and this report highlights the successes and failures of some of interior markets. We hypothesize that interior markets function as an organisation for aggregating livestock produce at the local level. And this can bring significant gains if linked to other trading facilities such as: access to reliable and timely market information, quality animal husbandry, and availability of credit.
6.4 The Market is a Key Link in the Livestock Value Chain

The market is part of a value chain. In order for a product to reach the consumer or user, there often are many processes or steps involved. Each step must have a direct link to the next together effectively in order for the processes to form a viable chain. At each stage, some additional transformation or enhancement if made to the product. Hence, a value chain is often defined as a sequence of value-adding activities, from production to consumption, through processing and commercialisation. Value chains, or supply chains, in agriculture can be thought of as a “farm to plate” set of processes and flows – from inputs to production to processing, marketing and the consumer. Each segment of a chain has one or more backward and forward linkages. A chain is only as strong as its weakest link and hence the stronger the links, the more secure is the flow of products and services within the chain.

As shown in the diagram above, products typically flow from stage to stage along the chain in one direction, while financial resources mostly flow in another. Funds can also flow into the chain at any stage. Chains operate within a complex environment of policies, regulations, institution and support services. Achieving chain competitiveness is therefore no simple task; it requires operational efficiency in each of its segments, coordination of transactions among chain players and insertion within a supportive business environment.

For the interior markets to operate effectively and efficiently they must operate within a value chain concept and where there is a gap (because there will be some) then action must be taken to remedy or bridge the gap.

6.5 Types of Markets

There are two types of livestock markets: primary (interior) and secondary (terminal). Interior markets are discussed in the next section of this report. They act as feeders to the terminal markets.

6.5.1 Terminal Markets

A number of terminal markets are located close to large urban areas. Kariuki’s (2000) list of the terminal markets in Kenya include Nairobi, Nyahururu, Isiolo, Meru and Nyeri for the North-central axis; Kisumu, Kisii, Eldoret, Nakuru, Naivasha and Nairobi for the North- western axis; and Nairobi and Machakos on the Southern axis. The coastal terminal markets on the Northwestern and North-central axis and to a minor extent on the Southern axis (Kajiado). The largest of these terminal markets, Nairobi and Mombasa, are discussed below.
6.5.2 Nairobi
The following 11 slaughterhouses supply meat to Nairobi.

Table 7: Location of slaughterhouses

<table>
<thead>
<tr>
<th>Slaughterhouse</th>
<th>Location</th>
<th>Main Species</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dandora</td>
<td>Njiru, Nairobi</td>
<td>Cattle</td>
</tr>
<tr>
<td>Nyongoro</td>
<td>Dagoretti, Nairobi</td>
<td>Cattle</td>
</tr>
<tr>
<td>Hurlingham</td>
<td>Njiru/Ruai, Nairobi</td>
<td>Cattle</td>
</tr>
<tr>
<td>Kiamaiko</td>
<td>Kariobangi, Nairobi</td>
<td>Shoats</td>
</tr>
<tr>
<td>Dagoretti</td>
<td>Dagoretti, Kiambu</td>
<td>Cattle</td>
</tr>
<tr>
<td>Kayole</td>
<td>Kayole, Nairobi</td>
<td>Cattle</td>
</tr>
<tr>
<td>Kiserian</td>
<td>Kiserian, Kajiado</td>
<td>Shoats</td>
</tr>
<tr>
<td>Ngong</td>
<td>Ongata Rongai, Kajiado</td>
<td>Cattle</td>
</tr>
<tr>
<td>Olekesasi</td>
<td>Ongata Rongai, Kajiado</td>
<td>Cattle</td>
</tr>
<tr>
<td>Keekonyokie</td>
<td>Kiserian, Kajiado</td>
<td>Cattle</td>
</tr>
<tr>
<td>Molongo</td>
<td>Athi River, Machakos</td>
<td>Camels</td>
</tr>
</tbody>
</table>

On arrival at the slaughterhouse, the meat inspector (from the DVS) checks on both the movement permit and the condition of the animals before they are off-loaded into a terminal sale yard or boma. The average fees charged at various slaughterhouses are shown below. Middlemen/women (invariably referred to as butchers despite having no butcheries of their own) buy the animals and take them to a slaughterhouse of their choice (if there are many close by - e.g. Dagoretti has four). The service of these middlemen/women, in many cases, is limited to buying the animals from livestock traders, slaughtering the animals and selling the meat to butcheries thereby adding another loop in the marketing chain between the producer and the consumer. The middlemen might be described as wholesalers, though this may be a misnomer. There are 200 of them operating in Dagoretti market alone.

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23 In addition, numerous slaughterhouses dotted between Nairobi and Namanga supply Nairobi butcheries. Usually butchery owners of Nairobi pick the meat from these slaughterhouses using hired vans/pickups. This saves them a lot in costs.
7. Livestock Interior Markets in Samburu

7.1 Interior Markets in Samburu

Interior (primary) markets have the potential to mitigate challenges faced by the pastoralists and in the process strengthen pastoralists’ economy and harness participation of poor pastoralists’ producers along the value chain. However, the locations of these markets which are often far from town centres and at times within inaccessible terrain have always posed a challenge to the county council when it comes to revenue collection and to the veterinary department when it comes to diseases and pests control. Thus the two institutions have often discouraged the sprouting and development of these markets.

It’s against this background and the belief of the community that the interior markets would enhance livestock trade that SIDEP and SNV explored ways of supporting the development of an interior market in Lolkuniyani. Lolkuniyani market has been profiled within this report and lessons learnt from it form a significant part of the study.

There has been a proliferation of interior markets within the Samburu District mostly at the instigation of the local community and supported by the SCC by way of a unique revenue sharing model or strategic partnership. Some of these markets are created by local Councillors who view the markets as avenues to enhancing their political careers. On the negative side, proliferation of markets could result in lower prices all round.

The markets are recorded by DLMC and given a three letter code as described in Appendix 3. These markets are fully liberalised and operate on a “willing-buyer willing-seller” concept.

Samburu has six divisions, five of which have established interior markets. Lolkuniyani market is unique in that it represents two divisions – Wamba and Waso. Kirisia division has the most markets in the district – it boasts 4 livestock markets. Currently the district has 11 fully functioning livestock markets albeit in different stages of development/ maturity.

The study team visited 5 interior markets: Lekusaka, Lolkuniyani, Suguta Marmar, Maralal, and Lekurru over a period of four days (Wednesday through Saturday). These markets are profiled elsewhere within this report.

Table 8: List of interior markets in Samburu

<table>
<thead>
<tr>
<th>Samburu DLMC</th>
<th>Livestock Markets</th>
<th>Neighbouring Livestock Markets</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division</td>
<td>Market</td>
<td>District</td>
<td></td>
</tr>
<tr>
<td>Wamba</td>
<td>Lolkuniyani</td>
<td>Isiolo</td>
<td>Isiolo Urban</td>
</tr>
<tr>
<td></td>
<td>Lekusaka</td>
<td></td>
<td>Oldonyiro</td>
</tr>
<tr>
<td></td>
<td>Wamba</td>
<td></td>
<td>Ramuruti</td>
</tr>
<tr>
<td>Lorroki</td>
<td>Suguta Marmar</td>
<td>Laikipia</td>
<td>Doldol</td>
</tr>
<tr>
<td></td>
<td>Lekuru</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kirisia</td>
<td>Maralai</td>
<td>Terminal Markets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loibor Ngare</td>
<td></td>
<td>Maasai Market</td>
</tr>
<tr>
<td></td>
<td>Loosuk</td>
<td></td>
<td>KMC</td>
</tr>
<tr>
<td>Baragol</td>
<td>Baragol</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nyiro</td>
<td>Supa-Depe</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: DLMC, Paul Lekaada, December 2007
7.2 Market Days
The markets are identified by the day of week of the market day. For example, Lolkuniyani market day is on Thursday and potential buyers or sellers target to be at the market on that particular in order to trade their produce. Market days can also be used for competition advantage. For example, it was observed that Suguta Marmar suffers for its close proximity to Rumuruti market in Laikipia district. Rumuruti has changed its market day to be on the same day as Suguta and this has resulted in less buyers visiting Suguta. Whenever Suguta responds by changing its market day so does Rumuruti. This is an ongoing battle between the two markets. The table below provides a schedule of the current market days.

Table 9: Schedule of Market Days

<table>
<thead>
<tr>
<th>Area/Size</th>
<th>Location</th>
<th>Population</th>
<th>Pastoralist</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,820 Km²</td>
<td>Marsabit District to the north, Isiolo District to the east, Laikipia District to the south, Baringo District to the southwest and Turkana to the northwest</td>
<td>163,449</td>
<td>98%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Markets</th>
<th>Markets Day Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lolkuniyani LMA</td>
<td>Wamba, Ngilai, Lolkuniyani, Thursday</td>
</tr>
<tr>
<td>Lekusaka LMA</td>
<td>Wamba, Leraata, Lekusaka, Wednesday</td>
</tr>
<tr>
<td>Suguta LMA</td>
<td>Lorroki, Suguta, Suguta Market, Thursday</td>
</tr>
<tr>
<td>Lekuru LMA</td>
<td>Lorroki, Kaiminon, Lekuru, Saturday</td>
</tr>
<tr>
<td>Maralal LMA</td>
<td>Kirisia, Maralal Urban, Maralal Market Centre, Monday</td>
</tr>
<tr>
<td>Loosuk LMA</td>
<td>Kirisia, Loosuk, Loosuk, Tuesday</td>
</tr>
<tr>
<td>Loibor-Ngare LMA</td>
<td>Kirisia, Loosuk, Loibor-Ngare, Saturday</td>
</tr>
<tr>
<td>Poror LMA</td>
<td>Kirisia, Poror, Poror Centre, Monday</td>
</tr>
<tr>
<td>Baragoi LMA</td>
<td>Baragoi, Ebarta, Baragoi Market Centre, Saturday</td>
</tr>
<tr>
<td>Supa-Depe LMA</td>
<td>Nyiro, NaGa</td>
</tr>
</tbody>
</table>

Source: Livestock Markets Study, Quantum Africa, December 2007

7.3 Market Averages
The average 2007 market prices for livestock in all interior markets in Samburu were as follows:
- Cattle – Kshs.14,823
- Shoats – Kshs.1,804
- Camel – Kshs.14,655

The table shown below shows the average market prices and volumes for the entire district for the period January 2006 to December 2007.
Supply of livestock to the markets varies depending on the season. During the dry season the supply to the markets is low but the demand is high. The reason is that most suppliers migrate to seek greener pastures for their livestock. During the rainy season supply is high but demand is low resulting in low prices. Opening of schools will affect supply of stock too.

7.4 What happens in the event of a Disease Outbreak at the Market

Animal health is monitored very closely during market days to stop the outbreak of diseases. A representative from the DVO is stationed at the market on market day with a primary brief to monitor animals being brought into the market and being taken out of the market after sales. Their secondary responsibility is to issue a movement permit for the animals being taken out of the market and to neighbouring regions.

If a sick animal is brought to the market, inadvertently or otherwise, then the CAHW has powers to eject the sick animal from the livestock sales yard. This is so as to prevent it infecting other healthier animals. The CAHW then reports the matter or outbreak to the DVO by either telephoning or physically visiting his office.

Veterinary drugs are also sold at the market by CAHWs and the DVO sends his representatives to inspect the market and the drugs sold. They check that the drug being dispensed is the right one for the disease diagnosed, that the quality is as prescribed and that it has not expired.
7.5 Market Management and Role of the various Stakeholders

The interior markets have formal structures to help guide their day-to-day management and future development. On the morning of the market day, the local market committee (the LMA) has a meeting with the county council personnel to go through the list of those from the council who shall be working at the market that day. This is essential since the LMA is responsible for the management of the market. The council sends all their permanent livestock related staff to work in the markets and they also have the power to hire casuals should there be a staff shortfall.

At the core of the management structure sits a tripartite agreement in the form of an enduring MOU between the LMA, DLMC and SCC. Whereas the MOU is signed by DLMC on behalf of all markets in the region, the main beneficiaries of the revenue share model are the LMA and SCC.

7.5.1 The Role of the Livestock Marketing Association (LMA)

The management structures are loose and allow for cultural norms and practices. The markets are managed by the LMA which normally consists of 10 officials elected from amongst the community and for a period of 2 years. It was observed that all LMAs were made up of local elders, all male. The LMA is therefore considered to be an important institution in the community and is revered by community members. It is headed by a Chairman, Vice Chair, Secretary, Vice Secretary, Treasurer and 5 other members. Existing LMAs are in Archer’s Post, Baragoi, Wamba and Lorroki (for Suguta Marmar). The most active and progressive LMAs are the ones in Archer’s Post and Baragoi. The LMA also doubles up as the DLMC.

7.5.2 The Role of the District Livestock Marketing Council (DLMC)

The DLMC controls all the markets in the division. There are 6 DLMCs (one per division) in the following divisions: Nyiro, Baragoi, Lorroki – Suguta, Wamba, Kirisia – Maralal, and Waso. The DLMC represents the KLMC at the local level and provide the interface between the producers and the policy makers. Investment in the markets would normally be done through the DLMC. For example, a weighbridge has been bought for installation at Maralal market courtesy of the KLMC and at a cost of Kshs.400,000. Finally, since DLMC acts as a proxy for the KLMC it receives block orders for livestock from terminal markets such as in Nairobi. For example, the Kenya Meat Commission (KMC) ordered 2000 goats per week from Samburu district for the Christmas 2007 season - but the DLMC had no capacity to deliver the order. This was a missed opportunity for the Samburu livestock markets.

The DLMC is struggling to meet its obligations because of lack of funding. They therefore lack the capacity to meet the MOU conditions. The Kshs 60,000 per annum that it receives from the KLMC is not sufficient to cater for all its needs. In addition, the markets are supposed to contribute 10% of their takings to the KLMC to go towards financing the DLMC. But so far, only Suguta Marmar has managed to meet its 10% obligation to go towards DLMC upkeep.

7.5.3 The Role of Samburu County Council (SCC)

The SCC is one of the three main partners in the development of interior livestock markets. Its role is guided by the MOU which has been signed between the council and the DLMC. The MOU itself is not anchored in a legal framework such as the gazette and so it relies very much on political goodwill and community trust. The council is ultimately responsible for revenue collection and infrastructure development. It is noticeable though that there is no budget allocated for marketing and public relations activities for the interior markets (publicity and marketing is by word of mouth). The revenue sharing model is described in the MOU and the SCC has seen its revenue generating capability increase since the introduction of the model. According to the SCC, Livestock markets contribute up to 20% of the total revenue collected by the county council yearly.

The SCC’s mandate includes:
- Constructing and maintaining the markets
- Providing water for both human and livestock
- Protecting community land (trust)
- Facilitating marketing
- Market price monitoring
The SCC shares equally the cess collected on each market day. On market day, the SCC person stands at the gate of the sale yard and counts the animals coming in and out. He then countersigns the receipt to confirm that cess amount and payment. However, the council cannot use its official receipt book because the revenue share arrangement is casual arrangement and therefore not allowed by law. This means that the revenue collected through cess cannot be audited under proper channels and there are no systems in place to provide for the auditing of the cess. There is however no illegality in the model since the council can enact the required bylaws to enable it to enter into such arrangements. The SCC argues that the revenue share model provoked a positive community spirit because it gave the community access to funds which they could then use to support needy students. This has meant that the community has shown willingness to pay the cess. In addition, establishment of many markets has increased revenue collection in Samburu. This has also meant that there is a difference of opinion between the Revenue Officer at the council and the DVO who views the proliferation of markets as risky due to the lack of surveillance resources.

The SCC states that revenues collected range from a low of Kshs.10,000 during the drought seasons to a high of Kshs.25,000.

**Cess Recording (Best Practice)**

- Register to record all collection receipts
- Columns to record sales
- Counterfeits can be used to reconcile numbers (i.e. volumes and value)
- Counterfeits are then stored for future reference

The SCC also augments the security arrangement provided at the market by the LMAs with fully armed security guards. The security guard provides on-site security while the homeguards help in the safe trekking of the animals to the district borders. The security arrangements are necessary for the following reasons:

- To avoid animals being switched after sale
- To stop stolen animals from being sold in the markets
- To provide security against banditry, etc

At Suguta, the council provides armed guards to buyers from Nyahururu to Suguta market. This is so because bandits have been targeting buyers who usually carry large amounts of cash to buy animals or trek a large number of stock through lonely countryside’s.

Besides the mandates stated above, the SCC has the power to suspend LMA’s. It is on record that the SCC has exercised this power at least once when it suspended the Lolkuniyani LMA for a period of 6 months two years ago and subsequently brought in a new committee to oversee the market. This was a good move since the fortunes of Lolkuniyani (see Case Study) has risen annually. The SCC views that the future and success of local markets can be assured by a well functioning LMA.

The SCC argues that the auction system that was in operation in a number of markets (e.g. Suguta Marmar) was not an accountable system and they prefer the LMA system that is in place now.

**Challenges facing the SCC**

- No proper system for storing information or data
- No proper recording or accounting system in place (however some LMAs, like Archer’s Post, has developed a template for recording sales and this can be replicated)
- Proper market data (i.e. livestock census) yet to be collected due to conflicting priorities
- Collusion between cess collectors and those paying
- Cess collectors pocket some of the money and they do not give receipts for all the money collected
- Lack of adequate structures to ensure all cess is collected
- Local politics
- Under-development of markets (the council has budgeted very little money to go towards developing infrastructure at markets)
The smaller markets have been overrun by brokers who buy livestock at low prices in order to make profits elsewhere.

The SCC would like to see more young people participating in the leadership of local market committee. This is so because all the LMAs are dominated by older people who are not inclined to follow laid down procedures or business processes.

The SCC foresees a good future for the markets; with stable and better prices, and better services all round. They are also aware of the dangers and are constantly in the lookout for signs of a dying market such as: Insecurity, inadequate management levels, lack of political will, and council interference. To overcome these, the markets will require better secure infrastructure, more and frequent community participation, and availability of banking and other financial services.

7.5.4 The Role of the Kenya Livestock Marketing Council (KLMC)
The KLMC was established in 2000 and is tasked with promoting livestock marketing. It is tasked with lobbying and sourcing market for disease free livestock and livestock products, dissemination of accurate and timely market information to traders and producers with an aim of improving the livelihoods of livestock producing communities. It operates in 16 ASAL districts and Nairobi (the main livestock terminal market). It is represented at the district level by the DLMC.

The KLMC has been at the forefront of livestock market creation – it was involved in the setting up of Sales Yard Management Committees to oversee the running of markets well before the emergence of the DLMC and linked them to the county councils to enable proper management. But these committees lacked the necessary skills and proper governance structures. The KLMC responded by providing management training at Suguta Marmar and Archer’s Post markets.

Although the KLMC has a dual mandate – to lobby and to source markets, it has concentrated primarily on sourcing markets to the detriment of its lobbying ambitions. This could explain the lack of attention meted out to the livestock sector by successive Kenyan governments. An example of this is that the MLD does not recognise the importance of the KLMC and has proposed the establishment of a new parastatal titled Kenya Livestock Marketing Board (KLMB). The KLMB will be responsible for market research and development of livestock and livestock products in and outside the country. In addition, development boards will be set up to create sustained impetus for development of specific livestock enterprises as need arises. Despite this minor setback the KLMC has achieved a great deal by addressing the main challenges to market access such as:

Promoting access to Markets
The KLMC has created a pastoralist fora, opened external livestock markets for live animals where 11,000 heads of cattle and 9,000 goats were exported. This act alone earned the producers Kshs.300 million in a single year.

Providing Livestock Marketing Information
Lack of timely, accurate and relevant market information has been a hindrance to livestock producers and traders. It stops them from making appropriate decisions because of the inaccurate or obsolete information. The KLMC is addressing this by collecting, analysing and disseminating information from various major markets through the use of SMS and billboards. This information is also disseminated to grassroots-producers level through the DLMCs.

Prices vary from market to market and depending on the volumes of livestock brought to market. It is evident that pastoralists need better coordination to reduce surplus livestock to the markets. In addition they need to easily know where they can get large number of stock and at what prices. This service will help to greatly reduce the influx of brokers at the markets.

Building the Capacities of Livestock Producer Groups
The livestock producer groups need to take the next step to develop economies of scale, and to strengthen their bargaining power and basic management skills. KLMC has prioritized the need to build
capacity in organised livestock producer groups so that they are in a strong position to take advantage of market opportunities as they come up. KLMC has organised training programs in: disease control, organisational management, lobbying and advocacy skills, and leadership skills.

**Promoting Forward and Backward Linkages**
KLMC works with and through organisations having strong backward linkages to the livestock producer and forward linkages to financial institutions and other service providers. For example, KLMC has partnered with K-Rep Bank to provide financial services to pastoralists based on meat market orders (using KMC as a guarantor). They are also exploring the provision of livestock insurance through partnership with a reputable insurance company to insure against drought and stock theft.
7.6 Other Critical Roles - Market Price Monitors

Monitors have been recruited to report on the prevailing market prices at selected markets, livestock production and consumption, quality standards, etc. This information is then fed into the Livestock Information Network (LINKS) for analysis and dissemination. The LINKS is a livestock-focused Market Information System (MIS) currently providing information on livestock including cattle, sheep, goats, and camels. There is a growing demand for this market information despite the relatively short time that the service has been operational and available to the public. The main users of this information are: buyers or potential buyers of livestock, sellers of livestock, and the councils within which the markets are located.

The LINKS information database includes market prices, livestock data, trade policy updates, production and consumption data all converted into standardized units. The key markets monitored are selected interior, secondary and terminal markets in Kenya. The information can be used for price stabilisation across the various markets which in turn can dissuade brokers from operating in the affected markets.

There are currently 19 market monitors each allocated to a particular market and armed with a mobile phone for instant communication and motorbike to be able to cover the distances involved. See list shown. Although there are 19 market monitors, the service only exists in 15 markets where it has been initiated by the KLMC. In places where it doesn’t exist then the market enters into an agreement with the council to sponsor the monitors to carry out the service.

The services provided for by the market monitors are paid for by the KLMC. The monitors are all on 6 months renewable contracts and earn Kshs.1,000 per market day (or Kshs.5,000 per month). The monitors also provide auditing services to the LMAs to ensure that funds generated during market days are banked and used according to the mandates agreed by the community.

<table>
<thead>
<tr>
<th>Name</th>
<th>Username</th>
<th>Market</th>
<th>Market Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paul Okuta</td>
<td>Okuta</td>
<td>Njiru</td>
<td>NRB</td>
</tr>
<tr>
<td>Charles Wanyoyi</td>
<td>Wanyoyi</td>
<td>Dagoretti</td>
<td>NRB</td>
</tr>
<tr>
<td>Abnasir Saman</td>
<td>Saman</td>
<td>Kiamaiko</td>
<td>NRB</td>
</tr>
<tr>
<td>Abdullahi Abdi</td>
<td>Abdi</td>
<td>Njiru</td>
<td>NRB</td>
</tr>
<tr>
<td>Mohamed Hussein</td>
<td>Hussein</td>
<td>Mombasa</td>
<td>MSA</td>
</tr>
<tr>
<td>Francis Nthimba</td>
<td>Nthimba</td>
<td>Garissa</td>
<td>GAR</td>
</tr>
<tr>
<td>Noor Osman</td>
<td>Osman</td>
<td>Wajir</td>
<td>WAJ</td>
</tr>
<tr>
<td>Dominic Mbuvi</td>
<td>Mbuvi</td>
<td>Marsabit</td>
<td>MAR</td>
</tr>
<tr>
<td>Bernard Wafula</td>
<td>Wafula</td>
<td>Isiolo</td>
<td>ISI</td>
</tr>
<tr>
<td>Stephen Musyoka</td>
<td>Musyoka</td>
<td>Emali</td>
<td>EMA</td>
</tr>
<tr>
<td>Josphat Maina</td>
<td>Maina</td>
<td>Marigat</td>
<td>MAG</td>
</tr>
<tr>
<td>Adan Waqo Dabasa</td>
<td>Wako</td>
<td>Moyale</td>
<td>MOY</td>
</tr>
<tr>
<td>Simon Kimari</td>
<td>Kimari</td>
<td>Chepareria</td>
<td>CHP</td>
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<tr>
<td>Michael Arekow</td>
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<td>CHP</td>
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<tr>
<td>Abdille Sheikh</td>
<td>Sheikh</td>
<td>Mandera</td>
<td>MDR</td>
</tr>
<tr>
<td>Mohamed Ismail</td>
<td>Ismail</td>
<td>Mandera</td>
<td>MDR</td>
</tr>
<tr>
<td>Ismail Godana Dara</td>
<td>Dara</td>
<td>Garsen</td>
<td>GRS</td>
</tr>
<tr>
<td>Ari Chongore Wakole</td>
<td>Wakole</td>
<td>Garsen</td>
<td>GRS</td>
</tr>
<tr>
<td>Paul Lekaada</td>
<td>Lekaada</td>
<td>Suguta</td>
<td>SGT</td>
</tr>
</tbody>
</table>

Source: DLMC, Paul Lekaada, December 2007

The market monitor is a member of the DLMC and effectively runs the administrative office.

7.6.1 Problems encountered by Market Monitors

It is evident that whereas the service offered by the monitors is critical to future development of the livestock markets, there was insufficient planning done to assure the future of the monitors themselves. The monitors face huge problems in the execution of their duties, namely:

- **Lack of resources for transportation (motorbike, fuel and maintenance):** This problem severely limits the ability of the monitor to effectively carry out his duties, i.e. audits, spot checks, etc. It also means that the monitor is unable to reach all parts of the responsibility area due to the vast geographical location. For example, the market monitor for Suguta Marmar has had to borrow a
motorbike from a colleague since his one has been grounded for some time now. All promises to repair it have not been forthcoming;

- **Lack of proper records**: The livestock markets do not keep proper records making it almost impossible for the monitors to carry out the market information service;

- **Lack of appropriate market infrastructure**: The monitors are meant to publicise relevant market data e.g. prevailing price, at the marketplace but appropriate fixtures like blackboards are lacking. This then forces the monitor to stay around and give the information orally.
8. Establishing an Interior Market

8.1 Introduction
There are certain concrete steps necessary to establishing an interior market. SIDEP is recognised for designing the blueprint for the creation of interior markets under the revenue share arrangement – in particular with regards to Loikuniyani. The SIDEP approach is described below.

8.2 Risks involved in the opening of New Markets
- Too many too quickly is problematic in controlling disease
- Structured growth is needed to ensure adequate resourcing and management of disease control
- Structured arrangements are needed to ensure that officers can grow or fit into their roles, and also to facilitate better organisation between the DVO and other council staff and better DLPO data collection.

8.3 The SIDEP Approach to setting up an Interior Market
SIDEP was formed in 2001 as a Community Based Organisation (CBO) bringing together several community based development groups from Wamba and Waso Divisions of Samburu District. Its activities are aimed at poverty alleviation necessitating the need to aggregate effort and to share ideas, skills, solicit markets for local produce, develop the capacities of new upcoming groups and fundraise as a bloc to implement community based projects.

The 6-Step SIDEP Approach

<table>
<thead>
<tr>
<th>Step 1: Form and strengthen Livestock Marketing Associations (LMAs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Facilitate the formation of LMAs</td>
</tr>
<tr>
<td>- Facilitate development of Market Day Data Form that shows:</td>
</tr>
<tr>
<td>- Number of livestock sold per market day</td>
</tr>
<tr>
<td>- Buy/ Sell prices- during dry/ wet seasons</td>
</tr>
<tr>
<td>- Revenue sharing data</td>
</tr>
<tr>
<td>- Provide training to the Sale Yard Management Committees</td>
</tr>
<tr>
<td>- Organise exchange visit to external markets especially Kenya Meat Commission (KMC)</td>
</tr>
<tr>
<td>- Facilitate linkages to Micro-finance institutions (K-Rep Bank, STS)</td>
</tr>
<tr>
<td>- Provide continuous advice, direction and closely monitor performance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 2: Broker linkages with the county council</th>
</tr>
</thead>
<tbody>
<tr>
<td>This is done through organised stakeholder’s forum between the council and livestock marketing associations</td>
</tr>
<tr>
<td>- Facilitate regularisation of market days (see schedule below)</td>
</tr>
<tr>
<td>- Negotiate cess sharing between the council and community being represented by LMAs</td>
</tr>
<tr>
<td>- Organise LMAs to print cess collection books</td>
</tr>
<tr>
<td>- Result: County Council revenue improved by 70% as result of collaboration that removed gaps in the process for collecting cess</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 3: Linkage with the DLMC-KLMC Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Maximize KLMC expertise to train livestock groups on livestock products for better business (e.g. hides and skins trainings)</td>
</tr>
<tr>
<td>- Facilitate preparation of DLMC/KLMC membership drive through advertisement and mobilization</td>
</tr>
<tr>
<td>- DLMC uses SIDEP expertise to train their LMS’s.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 4: Publicise existence of market to distance buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Facilitate production of market advertisements to various livestock markets in Kenya</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 5: Veterinary department handling the no obstruction permit for the distance markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The veterinary department will issue movement permit to the identified destination (terminal markets). In certain situations CAHWs can support the work done by the vets</td>
</tr>
</tbody>
</table>
The buyers access their no obstruction permit from the terminal markets

**Step 6: Monitoring and Evaluation**
- Through organized monthly monitoring missions
- Feedback from the groups through reports and records kept by LMAs
- During training workshops
- Through anonymous surveillance visits to the markets

The case studies shown below details certain interior markets visited by the study team. The markets are in various stages of maturity. They exhibit different characteristics depending on their stage of development and when they were established.
CASE STUDY 2 – LEKUSAKA MARKET

Lekusaka Market, Kueting Location; 13.27pm, Wednesday, 28th November 2007
Opens 8.00am
Closes 4.00pm (although business starts winding down at 12.00pm)

Lekusaka market was formed in 2005 and is located in Kueting Location on the main road between Wamba (16km) and Archers Post (20km from Main Marsabit-Isiolo Road).

The need for the market was due to pervasive poverty in the surrounding communities and severe drought that hit the area in 2005-6. In addition the locals were concerned about the long distances they had to walk to other markets. They had the choice of trekking to Wamba, Lolkuniyani, Elpos, Ngaroni, and Sionta markets before its inception.

The market covers an area of about 5 acres and is managed by Sionta LMA. The livestock sales yard is not fenced (meaning that the SCC is not yet fully engaged in the market's development). November is deemed to be a high production month yet there was very little activity going on in the livestock sales yard. The non-livestock section of the market appears vibrant. It is no common secret that the market suffers from the "Lolkuniyani" effect due to its proximity to Lolkuniyani both in distance and market days.

Sionta LMA is managed by a committee of 10 local elders (8 men and 2 women) elected for a period of 2 years. They meet once a week during market day. Their primary role is to solve problems during market days and provide security. They negotiated with SCC to divide cess collected at the livestock market on a 50:50 revenue share basis. The LMA enumerates the benefits as follows:
- The market has helped the community during drought period
- The market has been brought closer to the people therefore less trekking
- Cess collected provides income for local community and the county council
- Cess collected provides welfare support for the poor in the community. For example, 50 families have been supported since the markets inception by having school fees paid for their children
- Cess collected has helped in bursaries (in the form of talented children from poor families going to school).

Lekusaka is known generally for sale of goats (there are more goats visible than any other livestock). On a good day (mainly during drought periods, i.e. January – April) it sells approximately 400 goats and 5-10 camels. Livestock sell well when children are going back to school. Low sales are evidenced during the rainy season. The reason given is that food is plenty and the pastoralists do not see the need to sell livestock.

Goats sell as follows: small at Kshs.1,300; medium at Kshs.1,800; largest and best quality at Kshs.5,000 (but this is rare). Cess is charged as follows: cattle at Kshs.100 per cattle sold and shoat at Kshs.30 per goat/sheep sold. The LMA estimates that the average cess collected per market day is Kshs.6,000 (highest) and Kshs.2,000 (lowest). The money collected is deposited into a bank account for the benefit of the community.

People travel approximately 20-50kms to get to the market. Traders from Wamba travel by lorry and matatus, while others walk to access the market. On the day of visit, there were about 200 people either shopping or trading. It acts as a social gathering place with a lot of women selling their wares, morans in colourful regalia hanging around the marketplace. There are two types of traders: those selling own stock, and those buying and selling stock within the market (arbitraging on the price differential). Common knowledge is that brokers exist in the market but this is debatable as it appears that the locals are confusing traders for brokers (these two terms appear to be used interchangeably throughout the district).

The SCC has a small presence, mainly to collect cess. There is however no regulation from the county council. Security is highly visible and provided by local homeguards armed with rifles whose services are paid for by the LMA. There are no obvious security problems but the area has suffered from it in the past.
Market items are transported to the market by lorry from Wamba. Miraa (Khat) is sold at the market and sourced from Meru.

There are various kiosks selling pharmaceuticals for livestock. Small sheds act as shoplets and sun guards for those selling. There are several makeshift structures permanently occupied by same occupants. These structures are charged Kshs.50 standard cess which all goes to the SCC.

The market is quiet compared to other markets, e.g. Lolkuniyani. Notably, there were no basic utilities apart from a couple of toilets. There is no tapped or running water. Water is obtained from the nearby Lekusaka River or alternatively people buy water from the many “hotels” in the market.
CASE STUDY 3 – SUGUTA MARMAR MARKET
Suguta Marmar Market, Suguta Location; 12.00pm, Thursday, 29th November 2007
Opens 8.00am
Closes 3.00pm

Suguta Marmar is one of the oldest and better known livestock market in Samburu. It is located on the main Maralal-Rumuruti Road exactly 36kms from Maralal town. The market serves 2 locations and 6 sub-locations:

Suguta Marmar
Logurate                        Suguta Location
Lolmok

Misigiei
Baringon                        Kisima Location
Barkeju

It is slightly different from other markets in that it is a pure livestock sale yard without the adjoining non-livestock market (situated 100m away in the town centre).

The market is made up of permanent structures constructed in year 2000 by the Arid Lands. It is formally constructed on 4.5 acres of land and has a large sales yard. The market infrastructure is very good comprising an office, security house (full time guard employed), fencing, toilets, quarantine yard for vaccination, and piped water. The maintenance and repair of the market is cost-shared between the SCC and the LMA.

Up to 2002 the market operated an auction system. In the auction system, the auctioneer determined the price and reporting mechanism. He was paid 50% of the market day's takings. In 2002 the auctioneer was sacked because the market didn’t want to be too dependent on one individual and there are rumours that he was not proactively marketing the market resulting in poor sales because of lack of buyers. The auctioneer was replaced by the DLMC in 2002 who immediately constituted an LMA, opened a bank account and introduced an audit system. The DLMC entered into an MOU with the SCC in 2006. The auction system has since been de-gazetted by the SCC from January 2008.

The market almost collapsed in 2005 owing to:
- Broker nuisance
- Proximity to terminal market (only 160km away)
- Fierce competition from Rumuruti market
- No cattle being brought to the market
- Insecurity between Suguta and Rumuruti axis
- Tribal clashes
- Proliferation of feeder markets
- Mismanagement of cess
Suguta Marmar is managed by LMA comprising 10 people (although only 8 were in office during the study period) who are elected by the community according to a predetermined formula 3 representatives per sub-location. The secretary to the LMA is charged with keeping all the records including cess collected, volumes moved and the minutes of the LMA meetings.

The LMA and SCC have entered into a 50:50 revenue sharing arrangement. The cess is fixed at Kshs.240 per cattle sold and Kshs.60 per shoat sold. The LMA portion of cess collected is then divided equally between the two locations. The LMA pays the cost of printing the cess receipt books (publication), upkeep of the sale yard, security, and employees (if any). The LMA uses the surplus money generated to support worthy causes at the community. A large percentage goes towards supporting bright children from poor families to go to school. The total annual cess generated in 2007 was Kshs.619,160 made up as follows: cattle Kshs.222,200 and shoats Kshs.396,960.

The revenue sharing model is not a new phenomenon at Suguta. Up to 2002 revenue was shared between the market, the SCC, and auctioneer. From 2006 the revenue was shared between SCC and LMA. The LMA then pays 10% of its cess portion to the KLMC who uses it to finance the DLMC. The KLMC portion adds up to Kshs.61,916 in 2007.

The market also creates employment opportunity for the local youth, most of who work as Cess Collectors earning a commission equivalent to 10% of cess collected from the sale of cattle and 20% from shoats per week.

In addition, the LMA has employed a data coordinator/ market monitor to collect data on the prices and volumes moved each market day and transmit it to LINKS. The market monitor also doubles up as a DLMC officer. The LMA funds the operating expenses of the market monitor in terms of fuel for motorbike, lunch and communication.

### Market Potential

In its heyday, Suguta had a throughput of between 250-300 heads of cattle (out of 500 cows brought to be sold) and 700-800 shoats sold per market day. It is now turning over 100 shoats (out of a total 250 brought in) and less than 20 heads of cattle. In 2007, 1,111 heads of cattle and 6,616 shoats were sold.

The potential of the market remains untapped even though the 2007 market turnover was Kshs.7,101,044 broken down as 58% shoats and 42% cattle. In January 2008, the market turned over Kshs.591,754 up 5.3% from the same period last year.

The main buyers in the market come from Marsabit (the Burghis). They mainly trade in shoats for transport to sell in Nairobi.

### Table 11: Suguta Marmar 2007 revenue analysis

<table>
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<tbody>
<tr>
<td><strong>Volume</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cattle</td>
<td>200</td>
<td>81</td>
<td>77</td>
<td>163</td>
<td>220</td>
<td>100</td>
<td>200</td>
<td>151</td>
<td>40</td>
<td>80</td>
<td>1,111</td>
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<tr>
<td>Shoats</td>
<td>60</td>
<td>58</td>
<td>52</td>
<td>63</td>
<td>59</td>
<td>200</td>
<td>332</td>
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<td>643</td>
<td>525</td>
<td>525</td>
<td>30</td>
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<td><strong>Revenue Collected</strong></td>
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<tr>
<td>Cattle</td>
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<td>15,450</td>
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<td>20,900</td>
<td>20,900</td>
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</tr>
<tr>
<td>Shoats</td>
<td>34,900</td>
<td>31,900</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
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<td>33,000</td>
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<tr>
<td><strong>Total</strong></td>
<td>51,108</td>
<td>47,380</td>
<td>48,450</td>
<td>48,450</td>
<td>54,900</td>
<td>54,900</td>
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<td>54,900</td>
<td>54,900</td>
<td>4,906,040</td>
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<td><strong>Contribution to DLMC @ 10%</strong></td>
<td>5,101</td>
<td>4,905</td>
<td>4,702</td>
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<td>5,490</td>
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<td>5,490</td>
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<td>5,490</td>
<td>5,490</td>
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<tr>
<td><strong>Market Turnover per Month</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cattle</td>
<td>14,823</td>
<td>12,659</td>
<td>13,774</td>
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<td>20,020</td>
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<td>20,020</td>
<td>20,020</td>
<td>20,020</td>
<td>20,020</td>
<td>20,020</td>
<td>249,243</td>
</tr>
<tr>
<td>Shoats</td>
<td>1,904</td>
<td>1,749</td>
<td>1,749</td>
<td>1,904</td>
<td>1,904</td>
<td>1,904</td>
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<td>1,904</td>
<td>26,714</td>
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<tr>
<td><strong>Total</strong></td>
<td>16,727</td>
<td>14,408</td>
<td>15,523</td>
<td>16,678</td>
<td>21,924</td>
<td>21,924</td>
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<td>21,924</td>
<td>21,924</td>
<td>21,924</td>
<td>21,924</td>
<td>21,924</td>
<td>275,957</td>
</tr>
</tbody>
</table>

Source: Livestock Markets Study, Quantum Africa, December 2007
CASE STUDY 4 – MARALAL MARKET
Maralal Market, Maralal Urban Location; 11.30am, Friday, 30th November 2007
Opens 8.00am
Closes 3.00pm

Maralal town could be termed as the capital city of Samburu. It is a thriving commercial centre with historical links to Kenyan independence politics (the First President, Mzee Jomo Kenyatta was placed under house arrest for a number of years in the outskirts of the town). It hosts the only International Camel Derby outside of Dubai. The town attracts a large number of tourists from the surrounding parks and lodges. It is also a natural destination for many NGOs.

Maralal market is situated right outside the centre of town and is a short walk from the high street. The market has certain unique features that separate it from others in the district, namely:
- There is a market every day of the week except Sunday because of the nearby slaughter house
- Main market day is Monday when auctioneer is present
- It is operated by Samburu Town Council and not County Council
- Cess collected is not shared with the community
- All Cess Collectors are employed by Town Council and paid Kshs.3,865 per month (2 located in shoat yard and 1 in the cattle yard)
- Cess Collectors work all market days except Monday when the auctioneer employs his own Cess Clerks from the community
- Cess is fixed as shown in the table below

Table 12: The amount of cess paid at Maralal Market

<table>
<thead>
<tr>
<th>Market Day</th>
<th>Shoat Seller</th>
<th>Shoat Buyer</th>
<th>Cattle Seller</th>
<th>Cattle Buyer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>30</td>
<td>30</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Tuesday - Saturday</td>
<td>20</td>
<td>20</td>
<td>70</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Livestock Markets Study, Quantum Africa, December 2007

Like Suguta, the market is made up of permanent structures constructed in year 2004 under a joint funding arranging between the town council and SDDP (an NGO). It is formally constructed on a large piece of land and has a large sales yard (but appears lacking in repairs and maintenance). The market infrastructure is good and comprises an office, toilets, a kiosk, auctioneers stand, fencing, pens, and piped water.

The market management appears rather liberal – on non-auction day there is open trading of livestock in the field outside of the sale yard. Although there are a few shoats about, the market is renowned for the number of cattle brought for sale. This could be the effect of the slaughter house. On the day the study team visited there were between 100-150 cattle for sale. The locals claim that there are more on Monday.

Cattle come from as far as Baragoi in the north. Traders are a common sight in the market and would buy and sell up to 3 cattle per day making between Kshs.300-500 per cattle. Animals sold are help in pens for marking and cess payment before release.

Shoats sell as follows: small size goes for Kshs.1,500, medium size Kshs.2,000, and large Kshs.4,000. The shoat buyers are mainly from Marsabit (known as Bhurghis). They trek the animals to Rumuruti in neighbouring Laikipia district then load them onto lorries for transport to Nairobi for slaughter.

Cattle sell for an average Kshs.14,000 on normal market days and up to Kshs.16,000 on auction day. Cattle are bought mainly by locally organised youth groups who make a living by arbitraging on price differential from one market to the next.
There are no camels sold at Maralal. The highest cess ever collected in a day was Kshs.20,000 but average collection is Kshs.7,500. First Monday of the month is best sales day.

Recent report suggests that the auction system is to be replaced by the now familiar LMA system. The auction system was disliked because it went against the tradition of the Samburu people. The open nature of the auction system was its greatest enemy since it is the tradition of the pastoralists to not reveal their wealth.

There are no visible security arrangements but reliable sources say that there are two paid security personnel on the Monday market day.
CASE STUDY 5 – LEKURRU MARKET
Lekurru Market, Kirimon Location; 11.00am, Saturday, 1st December 2007
Opens 8.00am
Closes 1.00pm

Lekurru market is located very close to the Laikipia border along the Wamba-Maralal Road and a slight distance from the main non-livestock market. The area around the market is known for its number of sheep because of the habitat. The locals explain that if someone owns 400 livestock then 300 will be sheep.

The market started in 2005 and expanded rapidly due to insecurity in the Pokot area. The expansion of the market has resulted in expanded services and custom at the shopping centre and this is reflected in the proliferation of permanent structures.

Lekurru is unique in a number of ways. It is in its formative stages and this reflected by the fact that there is no LMA in existence, no County Council presence, and therefore no cess collected on livestock. This is a temporary arrangement and will be reviewed once the SCC fences the livestock sale yard and enters into a MOU with the new market LMA. Cess is however collected at the non-livestock market the process of collection is not watertight. All the cess collected goes directly to the SCC. The council then provides basic services to the community, e.g. bursary.

Traders normally buy cattle at low prices at Lekurru and then sell at other nearby markets like Olonyiro and Rumuruti to maximize profits. However, the market mainly stocks sheep and very few goats. The sheep are mostly half breeds between Maasai and Dopa. There are therefore no Burghis (from Marsabit) at this market since they mainly buy goat.

Most people in the market are local traders from Samburu who buy and sell (sometimes in the same market) for profit. Wholesale price for 3 sheep (large size) is Kshs.9,000. We observed a trader sell a sheep for Kshs3,400 and noted that larger sheep will retail for between Kshs.4,000-4,500 while the largest cattle will retail between Kshs.19,000 – 20,000.

People normally sell livestock for the following reasons:
- Sell an animal to buy medicine for the remaining stock;
- To pay school fees;
- For profit.
For these reasons, brokers are not tolerated in the market and every effort is made to discourage their participation.

A physical count of the animals in the sale yard reveal that there were about 800 sheep and 200 cattle and locals suggest that a large percentage are sold. During low sales around 50% of animals brought to market is sold and 70% during high sales period. High sales are recorded in August through December.

The infrastructure is poor; lack of toilets or piped water (water supply is from the nearby seasonal River Seiya). In addition the communication network is visibly absent and it is extremely difficult to get radio signals from existing mobile phone operators.
9. Profiling the Revenue Share Model

9.1 The Business Model
The prevailing business model is one in which the LMA shares the revenue generated from livestock market activity with the County Council on a 50:50 basis. This model is deemed to be beneficial to all parties as it has enabled the LMAs to form and manage markets without obstruction and for the commercial benefit of their communities, the SCC to generate greater revenues through increased collection of cess, as well as earning the DLMC bragging rights.

This model is enshrined in an enduring MOU signed by the DLMC on behalf of all markets with the Samburu County Council. It is however useful to note that success of the revenue sharing model is dependent on the patronage of the County Clerk, who is the leader of the county council since the model is not a gazetted practice. The SCC has moved ahead and institutionalised the MOU by making it council policy. This prevents its acceptance, success or failure it from being determined by an individual.

The cess collected is audited as normal fees and charges with the SCC’s end of year accounting process. The LMA’s portion of cess is considered as public funds and must be used to benefit the community.

9.2 Open Market Operations
All markets visited operate on a “willing-buyer willing-seller” basis. However, historically some markets operated an auction system. The auction system is no longer in operation since it has been replaced in all markets – the last such change happening at Maralal market in December 2007.

9.2.1 Auction System
This system was in operation in both Suguta Marmar and Maralal markets. The system provoked negative reactions from the community and is not the preferred method. Several reasons are given but there are two strong arguments against the auctions system:

1. **Cultural argument:** Pastoralists are very secretive in nature and prefer to keep all their dealings confidential. The traders who brought their animals to the market for sale often do no want others to know how much they sold an animal for. The pastoralist culture does not allow for a community member to deny assisting their neighbour if in need. The open nature of the auction enables everyone within earshot to know how much one has sold an animal and therefore what’s in their wallets.

2. **Revenue argument:** The modus operandi of the auction system is that the auctioneer shared the market revenues equally with the county council. This means that the community is left without an income that can be diverted to address needy causes.

On the positive side, the auction system requires the use of agents who are normally sourced from the community. It is therefore a source of employment for the many youths who would otherwise remain unemployed.

9.2.2 Willing-Buyer Willing-Seller
This has transitioned to be the preferred operating structure. Most markets are structured in such a way that it encourages buyers and sellers to interact, engage in a secret negotiation, and agree a price for the animal being sold. As soon as the deal is sealed the exchange takes place – animal for money and the parties depart. The secretive nature of this method is open to abuse by market proxies like brokers. The markets using such a system have witnessed the emergence of brokers or agents who are adept at negotiating according to the instructions of their masters. Brokers representing buyers would press for higher prices while those representing sellers would depress the market with low prices. It was observed that buyers from Meru would mainly use brokers to buy livestock on their behalf and those from Marsabit (the Bhurghis) would engage in the sale negotiations by themselves and not by proxy.
10. Economic Value of the Revenue Share Model

10.1 Revenue Sharing
The revenue sharing model in place at Lolkuniyani Market is simply a negotiated agreement between the LMA and the County Council to share equally (50:50) the cess collected from animals sold at the livestock sale yard in the district. It is better described as a strategic alliance between three parties (the LMA, SCC and DLMC) formalized through a Memorandum of Understanding (MOU). The model is premised on equal share of the risks and costs involved as well as the benefits. The LMA and SCC share some costs, e.g. security, cleaning of the livestock sales yard, etc. However, the best way of determining the true profit or loss accruing to each of the parties involved in this transaction is to calculate how much each party is earning against their individual cost burden. This is known as determining the total net economic benefit of the market and to its principals.

Indeed it is readily recognized that SCC has benefited greatly from this arrangement and that in certain markets, i.e. Archer’s Post, their revenue collection has gone up tenfold (from Kshs.100,000 to Kshs.1 million per annum). The producers in Lolkuniyani have been able to increase their margins by more than 40% implying that, before the market was established, this money never used to reach community. There is evidence to suggest that the Ngilai West community served by this market have benefited either by way of easy access to the market and therefore ability to purchase household items more easily, or through participation in sharing of the community’s share of the cess collected. But is this always the case? Is the model a clear win-win for all parties? Could there be some hidden costs that the parties are not aware of and that could jeopardize the entire arrangement if not checked immediately?

10.2 Risk Sharing
Developing risk or revenue sharing models or strategic alliances with producers or producers (in the case of livestock production) and other institutions, in this case the SCC, in value chains can effectively increase access to markets and expand outreach services to those same producers. If this alliance includes financial institutions and agribusinesses then the model will indeed expand outreach of financial and non-financial services to producers underserved by formal financial institutions. Financial institutions can provide support in cash through their lending services while agribusinesses can do the same through kind.

Experience gained developing and pilot testing these models provide practical examples of how the community, government agencies, financial institutions, agribusiness, and market facilitators can work together to reduce the risks and costs involved, while capitalizing on the benefits. It, however, must be a transparent relationship.

10.3 Interpreting the Economic Value Analysis of Lolkuniyani Market
The study team calculated the Economic Value (EV)24 of Lolkuniyani market using pertinent market data collected from the SCC and LMA. The data collected is then tested for consistency and accuracy. The data cleaning process is carried out using scatter-plots and logical checks, and where possible counter checking from hard copy data. Several corrections were made and where the in-correctable data entries were encountered, such entries were eliminated. The clean data is then used to arrive at a second version called “Version 2: Quantum Analysis and Projections”. This process of data cleaning is important since it is vital that the true economic profit is arrived at. The EVA could inform decision makers on how best to proceed with the development of the market.

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24 Economic Value Analysis (EVA) is a financial performance method to calculate the true economic profit of a business venture. EVA can be calculated as net operating profit less a charge for the opportunity cost of the capital invested.
10.3.1 Scenario 1 – Excluding DLMC

This scenario discounts the role of the DLMC in the revenue share arrangement since they do not directly share in the cess collected. Using data provided by the SCC, Lolkuniyani market generated cess revenue of Kshs.579,420 in 2007 from the sale of 255 heads of cattle, 8,807 shoats, and 0 camels. The cattle generated Kshs.51,000 and shoats’ Kshs.528,420. This is shown as “Version 1” and boxed in blue dotted lines in the illustration given below.

The cleaned data revealed that the total cess collected in 2007 at the market is Kshs.692,600 from the sale of 374 heads of cattle (Kshs.74,800), 9,662 shoats (Kshs.579,700), and 190 camels (Kshs.38,000). This is shown as “Version 2” and boxed in red dotted line in the illustration below.

An analysis of the underlying reasons for the difference in the livestock numbers and cess collected reveals that:

The difference in revenue collected (-Kshs.193,200) could be caused by:
- Collusion between Cess Clerks and third parties
- Pilferation
- Weaknesses in the sale yard accounting system
- General loss
- Lack of accountability
- Lack of record keeping
- No audits undertaken
- Lack of transparency in commercial dealings

The difference in the volumes of livestock recorded as sold (-1,165) could be caused by:
- Theft
- Transactions held outside of sales yards
- Weaknesses in secure systems
- Cess avoidance
- Lack of proper record keeping
- False accounting

The EVA reveals that of the total cess collected in 2007, the LMA carried a 40% cost burden at Kshs.274,200 while the SCC’s cost burden stands at 12% (Kshs.81,600).

The economic profit accruing to the LMA is Kshs.64,868 (9%) and SCC enjoys a 37% share of profit equating to Kshs.257,499.

Although both parties are profiting from the alliance it is evident that the SCC takes the lion share of the economic benefit accruing from the revenue share model. The alliance is positively skewed towards SCC and negatively against the LMA. Although this scenario is bearable in the short term, a re-balance of the cost share must be undertaken for the model to become more enduring and for Lolkuniyani market to become more successful. Initial exuberance can easily turn into lethargy if the status quo is allowed to remain for too long. At present, success of the revenue sharing model is dependent on the patronage of the County Clerk.

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25 Cost Burden is calculated by taking into account fixed and variable costs attributable to the affected party. This includes salaries, allowances, market maintenance, 10% contribution to KLMC, stationery (printing of receipt books), travel and subsistence, communication costs, etc. It is then deducted from the 50% share of cess revenue.
Table 13: Lolkuniyani EVA derivation excluding DLMC

<table>
<thead>
<tr>
<th>Economic Value Analysis Summary for Revenue Sharing Model (Ex DLMC)</th>
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<tbody>
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<td><strong>Lolkuniyani LMA (Wamba Division)</strong></td>
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<td>&lt;Grey cells have been calculated&gt;</td>
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<td></td>
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<tr>
<td><strong>Cess Charge Rate</strong></td>
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<td>Samburu District</td>
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<td>% Incremental Growth</td>
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<td>2007 Livestock Projected Population</td>
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<tr>
<td>Wamba Division</td>
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<tr>
<td>2006 Livestock Population (Wamba Div.)</td>
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<tr>
<td>% of 2006 Total Popin</td>
</tr>
<tr>
<td>2007 Livestock Population (Wamba Div.)</td>
</tr>
<tr>
<td>% of 2007 Total Popin</td>
</tr>
</tbody>
</table>

**Version 1: As per SCC**

|                                                                 |
| Volume Sold (Actual 2007)                                    | 255 | 8,807 | - | 9,062 |
| % of 2007 Popin (Wamba Div.)                                 | 0.68% | 2.13% | 0.00% | 0.37% |
| Revenue Generated                                            | 51,000 | 528,420 | - | 579,420 |
| Cost Burden                                                  | n/a | n/a | n/a | n/a |

**Version 2: As per Quantum Analysis and Projections**

|                                                                 |
| Volume Sold (2007)                                           | 374 | 9,862 | 190 | 10,227 |
| % of 2007 Popin (Wamba Div.)                                 | 1.0% | 2.3% | 2.0% | 2.2% |
| Revenue Generated                                            | 74,838 | 579,735 | 38,039 | 692,613 |

**Cost Burden**

| Lolkuniyani LMA | 274,231 |
| SCC             | 81,600  |
| **Net Margin**  | 356,831 |

**Economic Profit**

| Lolkuniyani LMA | 64,868 |
| SCC             | 257,499 |
| **Total**       | 322,367 |

**Difference (V1-V2)**

| Volume Sold       | (119) | (565) | (190) | (1,165) |
| Revenue Generated | (23,838) | (51,315) | (38,039) | (113,193) |

**Market Turnover**

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>150,225</td>
<td>472,091</td>
<td>75,400</td>
<td>697,605</td>
</tr>
<tr>
<td>2008</td>
<td>168,252</td>
<td>557,066</td>
<td>79,264</td>
<td>804,583</td>
</tr>
<tr>
<td>2009</td>
<td>188,442</td>
<td>657,340</td>
<td>83,227</td>
<td>929,009</td>
</tr>
<tr>
<td>2010</td>
<td>211,055</td>
<td>775,661</td>
<td>87,389</td>
<td>1,074,104</td>
</tr>
<tr>
<td>2011</td>
<td>232,361</td>
<td>915,280</td>
<td>91,758</td>
<td>1,243,419</td>
</tr>
</tbody>
</table>

*Source: Livestock Markets Study, Quantum Africa, December 2007*
10.3.2 Scenario 2 – Including DLMC

This scenario includes costs attributable to the DLMC. The role of the DLMC is supposed to be all pervasive and critical to the future survival of the markets. In particular, the audit function will bring about much needed disciplines and with that even better revenues as a result of good effective management by the LMAs.

Good record keeping and leadership at Lolkuniyani will yield greater revenues in the future. Annual cess collected is thus projected to increase from the current Kshs.692,600 to approximately Kshs.1,243,000 by year 2011. The DLMC has a role to play in future proofing this success. They must exercise their duties without hindrance – the only hindrance being lack of finance.

The EVA reveals that of the total cess collected in 2007, the LMA carried a 40% cost burden at Kshs.274,200, the SCC’s cost burden stands at 12% (Kshs.81,600), while the DLMC’s stood at 6% (Kshs.39,514).

The economic profit accruing to the LMA is Kshs.64,868 (9%), SCC enjoys a 37% share of profit equating to Kshs.257,499, and DLMC a paltry 0.4% at Kshs.2,565.

It is clear that the DLMC is not a principal in this alliance. The strategic alliance is enshrined in an enduring MOU signed by the DLMC on behalf of all markets with the county council. They enjoy very little profit from the MOU, this is evidenced by the fact that they are currently short of cash even though the LMAs are obligated to pay 10% of their portion of the cess to the KLMC who in turn use it to finance the DLMC. Thus far, it is only Suguta Marmar market that has paid their 10% contribution towards supporting the DLMC.
Table 14: Lolkuniyani EVA derivation including DLMC

**Lolkuniyani LMA (Wamba Division)**

Economic Value Analysis Summary for Revenue Sharing Model (incl DLMC)

<table>
<thead>
<tr>
<th>Unit Price (Cess)</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Camel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>60</td>
<td>200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Samburu District**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Camel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 Livestock Population</td>
<td>207,190</td>
<td>1,856,024</td>
<td>20,461</td>
<td>2,083,675</td>
</tr>
<tr>
<td>2007 Livestock Projected Population</td>
<td>232,063</td>
<td>2,190,108</td>
<td>21,484</td>
<td>2,443,655</td>
</tr>
</tbody>
</table>

**Wamba Division**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Camel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 Livestock Population (Wamba Div.)</td>
<td>33,410</td>
<td>350,103</td>
<td>9,057</td>
<td>392,860</td>
</tr>
<tr>
<td>2007 Livestock Population (Wamba Div.)</td>
<td>37,419</td>
<td>413,238</td>
<td>9,510</td>
<td>480,157</td>
</tr>
</tbody>
</table>

**Version 1: As per SCC**

<table>
<thead>
<tr>
<th>Volume Sold (Actual 2007)</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Camel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>265</td>
<td>8,807</td>
<td>-</td>
<td></td>
<td>9,062</td>
</tr>
</tbody>
</table>

**Version 2: As per Quantum Analysis and Projections**

<table>
<thead>
<tr>
<th>Volume Sold (2007)</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Camel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>374</td>
<td>9,062</td>
<td>100</td>
<td>38,039</td>
<td>602,513</td>
</tr>
</tbody>
</table>

**Cost Burden**

<table>
<thead>
<tr>
<th>SCC</th>
<th>DLMC</th>
<th>Net Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>81,000</td>
<td>30,514</td>
<td>297,268</td>
</tr>
</tbody>
</table>

**Economic Profit**

<table>
<thead>
<tr>
<th>SCC</th>
<th>DLMC</th>
<th>Economic Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,868</td>
<td>227,499</td>
<td>64,868</td>
</tr>
</tbody>
</table>

**Difference (V1-V2)**

<table>
<thead>
<tr>
<th>Volume Sold</th>
<th>Revenues Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>(119)</td>
<td>(1155)</td>
</tr>
</tbody>
</table>

**Market Turnover Per Market Day**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cattle</th>
<th>Sheep</th>
<th>Camel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>150,225</td>
<td>472,091</td>
<td>75,490</td>
<td>697,806</td>
</tr>
<tr>
<td>2008</td>
<td>188,252</td>
<td>557,086</td>
<td>79,204</td>
<td>804,538</td>
</tr>
<tr>
<td>2009</td>
<td>199,442</td>
<td>657,340</td>
<td>83,227</td>
<td>930,009</td>
</tr>
<tr>
<td>2010</td>
<td>211,055</td>
<td>775,661</td>
<td>87,389</td>
<td>1,074,104</td>
</tr>
<tr>
<td>2011</td>
<td>236,381</td>
<td>915,280</td>
<td>91,758</td>
<td>1,243,419</td>
</tr>
</tbody>
</table>

*Source: Livestock Markets Study, Quantum Africa, December 2007*
11. Underlying Risks and Mitigation Strategies

11.1 Risk Management
The study was carried out with the secondary objective of identifying different sources of risk and strategies used to overcome or mitigate the impacts of risk. This study was carried out in Samburu District which is located in the arid parts of the Rift Valley. ASALs comprise approximately 80% of Kenya’s land area and about 75% of its livestock. Soils are characteristically low in fertility, shallow and highly erodable, often coupled with areas of high salinity. Climatic conditions in the district vary between lowlands and highlands. Rainfall, generally below 200 to 300mm per year, is usually erratic in season, duration and distribution. ASALs by their very nature are high risk exposure areas due to their erratic climatic conditions. The inhabitants of these areas, the pastoralists, are vulnerable to these risk exposures.

The data collected and analysed from the sample markets and the results of the EVA shows that most variables were found to be significantly different where it relates to the primary stakeholders: LMA, DLMC, and SCC. The EVA concluded that there was a vast statistical difference in the cost burden carried by the LMA to that of the SCC. The SCC is by far the richer of the two and yet it derives greater benefit from the arrangement while carrying significantly less risk. It also showed that the DLMC is very vulnerable to changes in the environment (i.e. number of markets and distances to travel) due to the fact that they are severely underfunded. The greatest risk of all is the casual arrangement attached to the MOU which underpins the entire business model. The non-gazettment of the MOU means that the entire arrangement relies on the goodwill of an individual at the county council – should there be a political change then extra effort has to be made to woo the incoming official to accept the status quo.

11.2 Types and Sources of Risk
Pastoralists face numerous sources of risk, which are manifested through changes in their environment, livestock volumes and values, and general wellbeing (e.g. health status). Risk and uncertainty with respect to nature and environment, market, policies and institutions, household health, social and political systems can impact livelihoods and decision making both during and between years. Risks can be classified in several ways as demonstrated below.

Table 15: Risk factors and their source

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and Financial Risk</td>
<td>1) Legal risk: MOU not gazetted</td>
</tr>
<tr>
<td></td>
<td>2) Production risk: drought, outbreak of diseases</td>
</tr>
<tr>
<td></td>
<td>3) Market or price risk: buy and selling of livestock</td>
</tr>
<tr>
<td></td>
<td>4) Fluctuation in prices for agrovet products, availability of drugs</td>
</tr>
<tr>
<td></td>
<td>5) Availability of credit and cost</td>
</tr>
<tr>
<td>Technological and Institutional Risks</td>
<td>1) Technological improvements; being left out of the information superhighway</td>
</tr>
<tr>
<td></td>
<td>2) Government legislation: changes of rules and regulations, cess amounts, credit and environmental policies</td>
</tr>
<tr>
<td>Human Related Risk</td>
<td>1) Lack of appropriate labour and management skills</td>
</tr>
<tr>
<td></td>
<td>2) Health problems</td>
</tr>
<tr>
<td></td>
<td>3) Changing objectives of individuals</td>
</tr>
</tbody>
</table>

*Source: Livestock Markets Study, Quantum Africa, December 2007*

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Cost Burden is calculated by taking into account fixed and variable costs attributable to the affected party. This includes salaries, allowances, market maintenance, 10% contribution to KLMC, stationery (printing of receipt books), travel and subsistence, communication costs, etc. It is then deducted from the 50% share of cess revenue.
By and large, agricultural risks can cause losses in the livelihoods of the pastoralists. Some risky events like drought or outbreak of diseases affect many households in a community or region hence the need for collective mitigation like quarantines. Other risky events like most illnesses can be household specific. Poor households as evidenced in the study area have limited liquid assets, which affect their options for managing risk.

11.3 Risk Management Strategies

As a risk management strategy, financial products such as savings and bank borrowing represent an effective means of addressing risk in a vulnerable community such as the pastoralists, and are especially useful in softening the hard times when income is variable and at the low end. The pastoralists can stabilise their income flows by selling livestock for the purposes of generating school fees, or buying essential drugs for a sick animal. Thus the livestock market has become a coping strategy for many pastoralists.

The availability of credit and insurance facilities will be used for the same purpose – provided that they are made easily accessible and affordable to the rural poor. Borrowed money can be used to increase livestock production and wealth and therefore reduce vulnerability.

The study team identified 26 risks inherent within the markets and in a workshop set-up came up with the exposure analysis and mitigating strategies for each. Refer tables below.
### Table 16: Identifiable risks and mitigation strategies

**Livestock Markets**  
15 March 2008

<table>
<thead>
<tr>
<th>Date Identified</th>
<th>Description of Risk</th>
<th>Impact</th>
<th>Probability</th>
<th>Impact</th>
<th>Risk Sensitivity</th>
<th>Mitigation</th>
</tr>
</thead>
</table>
| 23-Jan-08       | Insufficient capacity to improve market infrastructure and service to the market | Inability to improve service to buyers/sellers and other market participants | H | H | 9 | 1. LMA’s must be more diverse in terms of recruitment by recruiting more women and youth.  
2. Create partnerships with NGO’s |
| 23-Jan-08       | Insufficient funds to implement market infrastructure service improvements | Inability to improve service to buyers/sellers and other market participants | H | H | 9 | 1. Restructuring of various markets  
2. Develop independent sources of funding for the DLMC |
| 23-Jan-08       | Inability to co-ordinate market infrastructure service improvements | 1. Inability to improve service to buyers/sellers and other market participants  
2. Inability to collect CESS  
3. Lack of responsibility | H | H | 9 | 1. All parties to come together before the market starts up |
| 23-Jan-08       | Arrival of brokers into the market | Money taken out of the market, i.e. not recycled within the market system | H | H | 9 | Accurate dissemination of market information |
| 23-Jan-08       | Change of market model (introduction of auctioneers for instance) | 1. Increased costs within the market system  
2. Money taken out of the market, i.e. not recycled within the market system | H | L | 3 | This has already happened in one market and has contributed to the downturn in volume within that market.  
1. Pull down structures  
2. Don’t go down the auction route |
| 23-Jan-08       | Creation or proliferation of other smaller markets | Reduced trading in existing markets | M | H | 6 | 1. All parties to come together before the market starts up  
2. Creation of a process governing the development of new markets  
3. Merge markets in close proximity |
| 23-Jan-08       | Insecurity in the region | The market becomes unsafe to travel to. This has devastated Saguto market | H | H | 9 | 1. Set up security committees  
2. Apply armed escorts  
3. Collaboration between the police and market institutions  
4. Improve Banking Services |
| 23-Jan-08       | Breakdown in communications between the market, the community and other bodies | Increases possibility of infected or diseased animals getting to market | H | L | 3 | 1. All interested parties need to collaborate more effectively  
2. Increase personnel numbers |

- **Risk Sensitivity Matrix**
  - **Probability**
    - Low (L)
    - Medium (M)
    - High (H)
  - **Impact**
    - Low (L)
    - Medium (M)
    - High (H)
<table>
<thead>
<tr>
<th>Date</th>
<th>Description of Risk</th>
<th>Impact</th>
<th>Probability</th>
<th>Impact P/M/L</th>
<th>Mitigation</th>
</tr>
</thead>
</table>
| 23-Jan-08 | Outbreak of Disease                                                                  | The closure of the market together with all the impacts resulting from application of quarantines | H           | L            | 1. Deploy more personnel  
2. Recruit more vets  
3. Improve distribution of preventative medicines  
4. Improve access for vets |
| 23-Jan-08 | Drought or change in climate conditions                                              | Shortage of animals for sale, leading to lower quality livestock and higher prices | H           | H            | 9 1. More pro-active planning  
2. Animal insurance  
3. Create more Holding Grounds |
| 23-Jan-08 | Failure to respond to traders needs and requirements                                 | No buyers and market closure                                            | H           | L            | 3 1. Closer relationships to traders, buyers and sellers  
2. Undertake Market Research  
3. Undertake a Customer Needs Analysis |
| 23-Jan-08 | Change in regulatory environment                                                     | 1. Reduction in barriers to trading  
2. Increase in the perception that regulators or other bodies are trying to reduce or stop trading | H           | H            | 9 Address the perception by improving the management of communications |
| 23-Jan-08 | Insability to cope with increasing market demands (numbers and different types of animals etc) | Reduction in trading levels within individual markets                  | L           | L            | 1 The perception needs to change as there's a lot of scale and capacity in the system currently |
| 23-Jan-08 | Impact from an event restricting or closing areas of the non-livestock market       | Possible reduction in trading                                            | L           | L            | 1 The two feed off each other, but the risk can be addressed by  
1. Investment in market infrastructure  
2. Investment in market institutions  
3. Improve the market  
4. Market it |
| 23-Jan-08 | Competition between primary and secondary markets                                   | Negative impact on the primary market side                              | H           | H            | 9 1. Clear definition of roles  
2. Ensure non-collision of market days (by statute)  
3. Better market information |
| 23-Jan-08 | Over emphasis on one particular animal group or breed                               | Market imbalance against trader, buyer and seller needs drives buyers and sellers to different markets leading to exposure to non-diversification. Also potential for lost market income | H           | M            | 6 1. Diversify market activity  
2. Broaden the range 1. Investment in market infrastructure  
3. Investment in market institutions  
4. Improve the market  
5. Market it |
| 23-Jan-08 | Lack of market information                                                           | Creation of a false market and reliance upon rumors                   | H           | H            | 9 1. Investment in market infrastructure  
2. Investment in market institutions  
3. Improve the market  
4. Market it  
5. Strengthen resource and capacity within |
| 23-Jan-08 | Lack of basic utilities (telephone comms etc)                                       | Information breakdown between the various bodies                        | H           | H            | 9 1. Better data analysis for market information  
2. Investment on market infrastructure  
3. Liaison with utility providers  
4. Better profiling and marketing  
5. Bring in and embrace other providers |
<table>
<thead>
<tr>
<th>Date Identified</th>
<th>Description of Risk</th>
<th>Impact of Risk</th>
<th>Impact</th>
<th>Probability</th>
<th>Risk Sensitivity</th>
<th>Mitigation</th>
</tr>
</thead>
</table>
| 23-Jan-08       | Political instability Insecurity (including increase in cattle rustling)            | H H 9          |        |             |                  | 1. Stable local and national Government  
2. Development of a Regional Plan                                                             |
| 23-Jan-08       | Failure of LMA’s to follow procedures and templates Stagnation of the market and maybe incorrect calculation of CESS | M M 4          |        |             |                  | 1. Invest in market infrastructure  
2. Clear definition of roles                                                                 |
| 23-Jan-08       | The culture of elders not accepting the input of younger generation Lack of progress via innovation | H H 9          |        |             |                  | 1. Diversity of recruitment by recruiting more youth and women  
2. Enhancement of governance by creating some form of “Elders council” facilitating the utilisation of youth innovation whilst benefiting from experience in an oversight type role |
| 23-Jan-08       | The culture that says that people should hide their wealth Lead to the death of the auction system | H M 6          |        |             |                  | 1. Better banking services  
2. Enhanced communication to improve or eradicate existing perceptions                         |
| 23-Jan-08       | Risk of additional or increased disease caused by lack of DVO manpower 1. Limited number of disease free zones 2. Inability to export meat and animals (to the EU in particular) | H H 9          |        |             |                  | 1. Enhance financial resources to DVO’s  
2. Enhance DVO capacity by recruiting more vets  
3. Better access to markets for vets  
4. Improve the consistency and quality of information between the markets and the DVO  
5. Increase number of Holding Grounds                                                        |
| 23-Jan-08       | Lack of proper record keeping 1. Inability to calculate CESS accurately 2. Lack of accountability | H H 9          |        |             |                  | 1. Proper definition of roles  
2. Better collaboration between all parties  
3. Improve market infrastructure                                                              |
| 23-Jan-08       | Revenue share model is not gazetted 1. Possibility that the model could be discarded, abandoned or otherwise outlawed at a later stage 2. The system is not audited 3. Poor record keeping, There is a benefit though in that the relevant bodies don’t actually have to do much to benefit | H H 9          |        |             |                  | 1. Improve the governance around the system to ensure that it is audited  
2. Better definition of roles and responsibilities  
3. Better collaboration between all parties  
4. Get it gazetted                                                                             |
| 23-Jan-08       | Intra-day trading potential of multiple trades Bypass of the CESS system           | H M 6          |        |             |                  | 1. Better definition of roles  
2. Enhanced segregation of animals once bought sold  
3. Enhanced surveillance of trading activity within the pens  
4. Enforcement of trading location (i.e. inside rather than outside the pen)                   |
12. The Future of Livestock Markets

12.1 Introduction
The future of livestock marketing relies to a large extent on the willingness of financial institutions to invest in the development of the markets and to provide savings and lending facilities to the various stakeholders involved in the markets. The following case study is an example of what can be done to attract the participation of banks and other financial institutions.

CASE STUDY 6 – K-REP BANK
K-Rep Bank, Isiolo Branch; 12.00am, Monday, 3rd December 2007

K-Rep Bank is a local banking institution with roots in the provision of microfinance (MFI) and other financial services targeted at the small and micro-enterprise sector. The bank provides a wide array of financial and banking products which includes the Halal Banking Services. The bank has a fully functioning branch at Isiolo Town which also acts as the Regional Head Office.

The Halal is an Islamic Sharia compliant banking service which has an aim of economically and financially empowering the local Muslim community. It comprises of Deposit Accounts (Current, Savings, Foreign Currency, Investment Clubs, etc), Loan products (Livestock Loans, School Fees Loans, Asset Financing, Microfinance Group Loans, Community Water Projects Loans, Housing Construction Loans, SACCO Loans, Consumer Loans, Overdrafts, etc), Safe Custody facilities, and Guarantees and Letters of Credit. This service is of particular interest to the pastoralist community and the predominantly Muslim people who reside in the region.

The Isiolo branch set up a team of field officers (e.g. one field officer based in Wamba) to facilitate banking services by going into the interior of the region. Following a successful pilot, the bank has embarked on a programme of interventions targeting the pastoralist community and the livestock markets. This programme of activity includes the following:

- Opening a branch in Wamba Town by January 2008 to offer deposit and withdrawal services. This branch will operate as a satellite of the Isiolo Regional Office and will be electronically linked to the office thus enabling same day and real time reconciliations;
- Setting up mobile banking units through the MFI department to offer deposit facility at each market targeting the main market days;
- Situating an ATM in Wamba to enable easy access for depositing and withdrawing cash;
- Extending the branch opening hours by 2 hours to coincide with the livestock market business hours;
- Provide advisory services and training to the local livestock traders on cashflow management and how to successfully manage a bank account;

The entry point for the loan facilities will be through group formations. But the bank will consider agency relationships, e.g. KLMC, for greater success. The bank will facilitate formation of new producer based organisations or lend through existing ones. There are 18 groups on board out of a total 540. Each group has 30 individual members and the minimum requirement is that each has been a member for about 6-8 weeks. The lending will rely extensively on peer pressure but care will be taken not to go against the Central Bank of Kenya Prudential Guidelines. Peer pressure is a powerful tool since the community has an intelligence network that has been developed over a long period and works well to guard against practises that would otherwise compromise the integrity of the community.

The bank has undertaken a review of the risks involved and resolved the following:

- Security risks will be mitigated by the bank working closely with rangers and armed guards;
- The risk of defaults will be mitigated through peer pressure and use of co-guarantors;
- Communication in local languages will be enhanced due to the high illiteracy levels;
The risk of droughts and other weather related circumstances will be mitigated by the bank offering grace periods to soften the impact on the livestock producer.

The bank has partnered with the KLMC and has allocated Kshs.22 million to be made available to the local communities. These funds shall target the livestock traders in Samburu, Wajir, Tana River, Garissa, and Ijara. The bank shall use the meat orders from the Kenya Meat Commission (KMC) as guarantee for the loans.

The bank intends to target women’s groups and the emerging youth business clubs which have become active in livestock trading but lack the financial muscle to trade in a major way. The youth clubs offer alternative income generating opportunities for the youth who come together, each contributing some money to go towards buying of livestock at one market, which they then sell at the next market by arbitraging on the price differential and making a tidy profit. This cycle is then repeated enough times to generate a healthy income for the youths. Examples of these groups are: Naserian Women Group which has 100 members and is based in Waso Division, and Lolmunto Self Help Group with 30 members based in Kirisia Division.

The greatest potential lies in the ability of K-Rep Bank to exploit the potential of each livestock market by basing their lending decisions on a calculation of the amount of money in circulation at each market (aka Market Potential per Market Day). Refer page 15, Lolkuniyani market has a market potential of Kshs.2.44 million which can be used to calculate how much to lend to the market (in Quantum’s estimation, up to Kshs.7.2 million can be extended to the market). By investing in the development of the market, K-Rep can exponentially increase the amount of money in circulation since there shall be increased security, greater financial services other products, and K-Rep’s presence will inevitably attract other critical economic players.

Secondly, the future of livestock markets will depend on how quick they adapt to becoming learning organisations and how best they leverage the expertise from the various stakeholders involved in their affairs. In order for there to be lessons learnt, it is crucial to understand the dynamics of knowledge generation and sharing methodologies. Knowledge is continually being shaped in communities, especially in socially interactive places such as the livestock markets. It is presupposed that for there to be a lesson to learn there must be knowledge generated from that activity in the first instance. The study team can swear to the fact that there is a lot of knowledge in existence but most of it reside in peoples heads and hence the difficulty in extracting it.

The study team examined the role of organisational knowledge supply in an economic activity such as markets in order to determine if there were indeed lessons to be learnt. It is observable that the interior markets are ‘new economy organisations’ comprising of self managing networks and capable of existing with all the environmental uncertainties. New economy organisations exhibit the following characteristics:

- **Permeable boundaries:** these markets are easily created and transferable. The boundaries are the community themselves. If these migrate then the market can easily migrate – therefore the community is the market
- **Possess radical learning capabilities:** despite the environmental conditions, these market institutions have transformed the way business is conducted in the region and could easily become the economic powerhouse that they deserve
- **Innovative cultures:** the use of an enduring MOU is a reflection of the innovativeness of these communities. There are no entrenched views and behaviours. The various stakeholders are willing to learn to survive. The community appears to be encouraging people to move away from linear thinking towards a more multi-dimensional view, to see new connections between things, and also to marry scientific logic with a more creative or intuitive approach
- **Cross disciplinary focus:** the markets are in themselves an aggregation of a number of economic activities and products. These require a number of disciplines to be displayed at the same time for the market to grow. For example, the LMAs require business development skills as well as organisational management experience.
- **Knowledge intensive:** there has been so much knowledge generated over the short period that the markets have been in existence. This calls for a focus on knowledge capturing and recording
techniques to help the community keep that same knowledge. Otherwise the markets will become transitory economic activities.

The diagram below compares features of a new economy organisation with that of the old economy and shows the transition that might take place. It is likely that the secondary or terminal markets display the characteristics of old economy organisations and this might bring them into conflict with the new and emerging interior markets. A further observation is that older markets like Suguta Marmar and Baragoi are slowly dying out because of their predictable nature and entrenched processes which make it impossible for them to compete with the new ones.

In addition, there are certain success factors that determine whether or not the concept will endure. The MOU is an enduring concept – it might change a little but the key lesson remains the same throughout. It is also succinct enough for people to remember.
12.2 Critical Success Moments

- The coming up with comprehensive win – win MOU between the parties grounded on the realities on the ground.
- Even though the revenue sharing model has not been gazetted by the SCC, the goodwill and agility of key persons at the county council allowed the partnership to proceed as the council puts in place the by-laws to ensure the legality of the model.
- The acceptance by the council for the community / LMA to use its own printed receipt books while managing the market has led to ownership and commitment by the community to the partnership and hence the success of the appreciated and effective revenue sharing between LMA and council.

12.3 Social Economic Impact

Community
There are some socio-economic benefits accruing to the community from establishment of the interior livestock markets;

- **Employment:** Most of the youth in the area are unemployed and they spend all their time hanging around the market, even on non-market days. It is difficult to determine what would create jobs for the youth other than the market because the market is the only economic activity or enterprise taking place as far as the eye can see. It is recognized that thus far the market has been a source of employment for the youth since they participate in cess collection and management of the livestock sale yard and are paid between Kshs.200-400 for their labour. Others supplement their income with other market related activities

- **Community Welfare:** The revenue generated from the market is directed towards helping vulnerable members of the community

- **Increase in Household Income:** Poverty is associated with lack of income and therefore lack of basic human needs, i.e. shelter, clothing and food. Therefore with increased household income it means the families will be able to afford shelter, buy clothes for the family and have enough food on the table

- **Access to Education and Health care:** Many children from poor families drop out of schools because of lack of school fees. A major percentage of the revenue generated from the livestock markets go towards paying of school fees for talented children from poor families in the community. Secondly, since healthcare in Kenya is not free it means that those who have money are the only one who can afford them, therefore increased income from market activities means that the local people will be able to afford medical care for their families thereby reducing deaths caused by treatable diseases in the community

- **Empower both Men and Women Economically:** The income earned from market activities will result in local people having the purchasing power to enable them own assets in their names for future security

- **Eradication of Illiteracy:** Poverty is associated with illiteracy and increased interaction between traders brought about by increased access to markets provides extra impetus for bettering own status

- **Wealth Creation through Savings Mobilization:** The extra income earned through market activities can be saved for future use. This will help the locals to create wealth which they can rely on to meet future needs or solve emergency problems.

- **Confidence:** The process of generating own revenue enables the market participants to have confidence in themselves and are therefore able to face financial and social decisions by themselves.

County Council
There are some benefits accruing to the county council from the effective running of the livestock interior markets, these are:

- **Increased revenue generation:** As a result of the MOU arrangement, SCC’s revenue collection at Archers Post has gone up to an average of Kshs.1 million per year, up from Kshs.100,000 before the introduction of strategic partnership

- **Assistance in provision of welfare services to the community:** The LMA’s support for the needy within the community creates an additional safety net for the vulnerable and bridges the gap that might exist as a result of competing demands for council services

- **Additional revenue from other sources:** SCC has depended on game park gate collections in the past. Cess collected from the interior markets has broadened the previously narrow revenue base

- **Increased compliance in cess payments:** Since the LMA and by extension the community benefits from the cess collected there is now greater acceptance and compliance in payments leading to higher collection efforts.
12.4 Lessons Learnt

The following are some lessons learnt by the study team during the field visits:

- Livestock marketing is vital for improving pastoralists livelihood and directly affect community welfare
- The SIDEP integrated approach to setting up new markets is a tried and tested methodology and will ensure that correct procedures are applied
- DLMCs require financial strength to be able to meet the MOU conditions otherwise they become a risk unto themselves
- Care and attention should be paid to issues such as security and basic infrastructure such as availability of running water as these can determine the success or failure of the market
- Commercial orientations to development of initiatives that support rural livelihood are bound to succeed
- Linkages with other institutions and strategic partners like K-Rep Bank can enhance the effectiveness of the markets and the outreach services (see Case Study 6).
- Building interventions upon structures co-owned by the community that have clearly defined roles, responsibilities and mandate make interventions easily acceptable and workable because the stakeholders can easily relate to them
- The centrality of certain markets like Lolkuniyani market within the location has enabled many women to fully participate in market activities and thus livestock trade is no longer a domain of wealthy traders and local men. With few metres and kilometres to trek to the market place, women have demonstrated their capacity to participate in market place activities by bringing their merchandise and equally selling it in a highly patriarchal society. Majority of food vendors are local women who adequately capitalise market day to make sufficient profit, thus the new markets has offered rural women increased incomes and better quality life. On average, a woman involved in petty trade would make profits ranging between Kshs. 1,000 – Kshs.1,500 for general merchandise, and food vendors make Kshs.2,000 -3,000 for the make-shift hotels.
- As markets become more efficient their size and organisational complexity can become uneconomically and therefore proliferation of livestock markets is not a bad thing but a new dynamism that must be encouraged. It reduces the complexities in one market because the new one acts as a release valve
- Active lobbying of relevant government authorities is necessary to ensure the right level investment is made to the livestock sector
- Markets in Samburu are considered a success story because the County Council is progressive in its approach to livestock markets
- For the future it is necessary for DLMCs to generate enough revenues to sustain itself, local communities and the markets. The easiest way is to negotiate with Safaricom and Celtel so that they can charge Kshs.5 above the normal rate for disseminating livestock market information through SMS
- The cess collection procedures need to be tightened because it is easy money to pocket
- Strengthen the DLMC office by recruiting a ‘go getter’ and investing in mobility so that the team can get to all areas and undertake the auditing function a lot more seriously
- The LMAs to encourage more youth participation and recruit youthful members to inject energy in the committees
- The LMAs term of office to be capped such that they are forced to bring new people every so often especially the youth and women
- Efficient means of transport for the DLMC is necessary to reach remote areas, e.g. motorbikes
- Availability of technology, e.g. mobile phones, can improve the efficiency of service delivery at the markets
- Focus should be on institutional development of the markets rather than on provision of a sale yard for purposes of livestock trade

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• STS, K-Rep, Equity, and other interested financial institutions to ‘second’ staff to these markets so that they can work with and understand the financial/ banking requirements. It will require the development of innovative financial products to underpin the development of the markets
• Install a proper financial management system to support the management of the markets
• Agree supervision aspects so that everybody involved in the running of the markets know the part that each plays
• Create a tactical plan which should include drafting business plans, budgets, operating plans, etc
• Invest in management and leadership training
13. Increasing Compliance and Efficiency

13.1 How to increase Compliance and Market Efficiency
The accepted method of increasing compliance and market efficiency is to mainstream livestock marketing into national priorities to attract financial and political support. The KLMC are attempting to do this but they require significant financial muscle to succeed.

At the market level, compliance can be achieved through commitment (i.e. adoption and application of best practice) or through compulsion.

Compliance through commitment focuses more on planning, people development, reward, and performance management methodologies whereas compulsion will require a heavy involvement in monitoring/surveillance techniques at the market level. Whether by commitment or compulsion, compliance should be supported by an effective communications plan.

13.1.1 Market Planning
In an effective organization, work is planned out in advance. To plan is to set performance expectations and goals for groups and individuals to channel their efforts toward achieving the organizations objectives. Training and getting the LMA and other stakeholders involved in the market planning process will help them understand the goals of the organization, what needs to be done, why it needs to be done, and how well it should be done.

The requirements for planning the market's performance should include establishing the elements and standards of their performance appraisal plans. Performance elements and standards should be measurable, understandable, verifiable, equitable, and achievable. Through critical elements, the LMA should be held accountable for assignments or responsibilities geared towards growing the market. Market performance plans should be flexible so that they can be adjusted for changing program objectives and work requirements. When used effectively, these plans can be beneficial working documents that are discussed often, and not merely paperwork that is filed in a drawer and seen only when ratings of record are required.

13.1.2 Monitoring and Surveillance
In an effective organization, assignments and projects are monitored continually. Monitoring well means consistently measuring performance and providing ongoing feedback to employees and work groups on their progress toward reaching their goals.

The requirements for monitoring market performance should include conducting progress reviews with the LMA where their performance is compared against their elements and pre-determined standards. Ongoing monitoring provides the opportunity to check how well the market is meeting predetermined standards and to make changes to unrealistic or problematic standards. And by monitoring continually, unacceptable performance can be identified at any time during the appraisal period and assistance provided to address such performance rather than wait until the end of the period when summary rating levels are assigned.

13.1.3 Institutional Strengthening
In an effective organization, employee or institutional developmental needs are evaluated and addressed. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or other methods. Providing employees with training and developmental opportunities encourages good performance, strengthens job-related skills and competencies, and helps employees keep up with changes in the workplace, such as the introduction of new technology.

Carrying out the processes of performance management at the livestock markets will inevitably provide an excellent opportunity to identify the developmental needs of the respective market. During planning
and monitoring of work, deficiencies in performance become evident and can be addressed. Areas for improving good performance also stand out, and action can be taken to help improve it even further.

13.1.4 Market Rating
From time to time, organizations find it useful to review its performance. This can be helpful for looking at and comparing performance over time or among various stakeholders. Organizations need to know who their best performers are.

Within the context of formal performance appraisal requirements, rating means evaluating individual or group performance against the elements and pre-determined standards in a performance plan and assigning a summary rating of record. The rating of record is assigned according to procedures included in the organization's appraisal program. It is based on work performed during an entire appraisal period. The rating of record has a bearing on various other actions, such as granting pay increases.

13.1.5 Managing performance effectively
In effective organizations, managers and employees have been practicing good performance management naturally all their lives, executing each key component process well. Goals are set and work is planned routinely. Progress toward those goals is measured and employees get feedback. High standards are set, but care is also taken to develop the skills needed to reach them. Formal and informal rewards are used to recognize the behavior and results that accomplish the mission. All component processes working together and supporting each other to achieve natural, effective performance management.

13.1.6 Rewarding
In an effective organization, rewards are used well. Rewarding means recognizing employees, individually and as members of groups, for their performance and acknowledging their contributions to the organization’s mission. A basic principle of effective management is that all behavior is controlled by its consequences. Those consequences can be both formal and informal and both positive and negative.
14. Upscaling Market Operations

14.1 How to upscale Market Operations
Upscaling the operations of the various markets would require significant investment in the conditions surrounding the market i.e. the enabling environment. Investment should be directed to improving the infrastructure and into personnel development. In addition, the market would be encouraged to embark on a concerted public relations and marketing campaign to enable it attract customers from its non-traditional base.

A thorough examination of the livestock value chain is highly recommended and interventions along the value chain would ensure a consistent and quality supply of the livestock to the markets. In a value chain, products typically flow from stage to stage along the chain in one direction, while financial resources mostly flow in another. Funds can also flow into the chain at any stage. Chains operate within a complex environment of policies, regulations, institution and support services. Achieving chain competitiveness is therefore no simple task; it requires operational efficiency in each of its segments, coordination of transactions among chain players and insertion within a supportive business environment. Access to market information, finance and other supporting services is essential.

Most importantly, strategic and implementation analysis must preceded any plans to upscale the operations – this should include examination of the conditions, sequencing, context, leadership and ownership, and appropriate linkages.

1. Conditions
   a. **Legal:** Create a legal framework that would support the market institutions. The concept of the MOU must be reviewed, extended and gazetted to ensure enforcement in the future.
   b. **Financial:** The financial services providers should be encouraged to be sufficiently engaged and willing to innovate and take on the risk of livestock trade operations. Some of the markets could do with a mobile banking service during market days. In addition, markets like Lolkuniyani have sufficient value within themselves to act as a buffer for the extension of credit services to the market itself and the community who are invested in it. The study calculated that Lolkuniyani has a market potential of Kshs.2.4 million which could attract maximum credit amounts of Kshs.7.2 million
   c. **Infrastructure:** The energy and mobile phone networks should cover the rural areas with sufficient quality and continuity to support some of the critical market linkages. Upscaling would require the right level of infrastructure support i.e. piped water, good access roads, etc.
   d. **Livestock surplus:** According to the study findings, Samburu is a livestock surplus area and this should be leveraged to support profitable trading facilities. There should be sufficient volumes passing through the markets to justify the needed investment

2. Sequencing
   a. As shown by the SIDEP Approach, elements of the market system should be introduced in a specific sequence to allow for smooth adoption and entrenchment of new ideas

3. Context
   a. Available marketing tools and strategies need to be adapted to fit the livestock market context. They must be simple, affordable, and easy to apply. Some interventions have proven costly discouraging their adoption and marginalising the community. How can the market create opportunities rather than obstacles for the pastoralist?
   b. Market information systems are critical to ensure that traders can access the facilities offered by the interior markets
4. **Leadership and ownership**
   a. It is recognized that a majority of the market tools and strategy development will be funded by either the private sector or international development agencies, e.g. SNV, but the ownership should remain with the affected communities.

5. **Linkages**
   a. How should these market tools and strategies be introduced? What is the set of local institutions that can support the market system? Do new institutions have to be created?

14.2 **How to Replicate the Unique Market Features**

Replication requires an understanding of the unique features of the market which should then be hard-coded into documents and/or templates, tools of trade, business rules, processes and workflows, and new or existing collaborative structures. The hard-coding would enable knowledge transfer to take place. Knowledge sharing or transfer is not always easy and it could be made possible by first recognizing or rewarding the knowledge owner. Successful replication requires correct and specific sequencing of the elements of the market system (e.g. SIDEP Approach).

Second, market information systems are critical to replication efforts since the base information flows would be available to direct and gauge the impact of the intervention. This would be so provided the limits of market information systems in terms of accessibility (e.g. cost, literacy, lack of equipment, expensive access protocols, etc) are removed or reduced. LINKS is an essential tool but it requires further development and investment in dissemination methods – how about giving the LMAs a mobile phone each to enable them to access livestock data: prices, flows, etc?

Third, the livestock producers should be encouraged to form community based organizations to enable them to access market information systems and aggregate their stock for better results at the marketplace and to benefit from economies of scale. The organization must be done on business structures and not social structures to succeed. The LMA is premised on a social structure and this interferes with its operations.

Final, there must be quality control and alternative dispute resolution mechanisms like arbitration to support the market.
15. Appendices

Appendix 1

Table 17: Comparison of poverty levels in Arid and Semi-Arid districts in Kenya

<table>
<thead>
<tr>
<th>District</th>
<th>Rural Poverty Index (% of individual living below poverty line)</th>
<th>Classification (ALRMP II, 2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keiyo</td>
<td>39</td>
<td>Semi Arid*</td>
</tr>
<tr>
<td>Laikipia</td>
<td>39</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Marakwet</td>
<td>43</td>
<td>Semi Arid*</td>
</tr>
<tr>
<td>Uasin Gishu</td>
<td>43</td>
<td>Semi Arid*</td>
</tr>
<tr>
<td>Kajiado</td>
<td>44</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Koibatek</td>
<td>44</td>
<td>Semi Arid*</td>
</tr>
<tr>
<td>Baringo</td>
<td>46</td>
<td>Arid</td>
</tr>
<tr>
<td>Samburu</td>
<td>46</td>
<td>Arid</td>
</tr>
<tr>
<td>Nandi</td>
<td>50</td>
<td>Semi Arid*</td>
</tr>
<tr>
<td>Isiolo</td>
<td>52</td>
<td>Arid</td>
</tr>
<tr>
<td>Narok</td>
<td>52</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Marsabit</td>
<td>53</td>
<td>Arid</td>
</tr>
<tr>
<td>Mount Elgon</td>
<td>53</td>
<td>Semi Arid*</td>
</tr>
<tr>
<td>West Pokot</td>
<td>53</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Taita Taveta</td>
<td>58</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Trans Mara</td>
<td>59</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Makueni</td>
<td>62</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Turkana</td>
<td>62</td>
<td>Arid</td>
</tr>
<tr>
<td>Mwingi</td>
<td>63</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Garisa</td>
<td>64</td>
<td>Arid</td>
</tr>
<tr>
<td>Mandera</td>
<td>64</td>
<td>Arid</td>
</tr>
<tr>
<td>Wajir</td>
<td>65</td>
<td>Arid</td>
</tr>
<tr>
<td>Kitui</td>
<td>70</td>
<td>Semi Arid</td>
</tr>
<tr>
<td>Moyale</td>
<td>71</td>
<td>Arid</td>
</tr>
</tbody>
</table>


Poverty Line (CBS, 2003)  
Ksh 1,239 for rural households and Ksh. 2,648 for urban households

* Source other than ALRMP, including classifications to be confirmed
A summary of the strategic significance of pastoralism to Kenya’s economy (Wekesa, 2001)

In Kenya, ASALs, where pastoralism is practiced cover over 80% of the country. The lands support 50% of cattle, 75% of sheep and goats, 100% camels and 25% of human population respectively:

1. Pastoralism makes the best use of resources in Drylands, and is currently the most suitable approach to the development of arid lands of Kenya. The cost of putting these lands to alternative uses could be 50 times or higher than supporting the current land use.
2. The value of livestock resources base in the arid and semi lands is estimated at Kshs.70 billion, and the potential to grow still exists.
3. Pastoralism provides direct employment and livelihood to over 3 million Kenyans.
4. The symbiotic economic relationship between pastoralism and wildlife and the resultant tourist attraction provides Kenyan economy with over Kshs.50 billion every year.
5. An important symbiotic relationship between pastoral lands and high rainfall areas exists, whereby pastoral areas produce beef and other livestock products while higher rainfall areas produce crops. The supply and demand interaction of this relationship is central to economic development. The development of pastoral lands will increase incomes and demand for the products from high rainfall areas.
6. Pastoralists remain culturally conservative, and thus amongst these communities will be found some of the well preserved cultural and heritage values in Kenya. One aspect is the conservation of Kenya’s biological diversity using pastoral indigenous knowledge. One cannot attribute monetary value to such a contribution.
7. The opportunity cost of letting pastoralism collapse will be the need to absorb over 3 million pastoralists into other sectors. What economic sector would have this capacity today?
8. Most pastoral areas border neighbouring countries and are, therefore, very important in terms of national security. Development of these areas will buffer the country from infiltration of bandits, including illegal arms transfer.

Appendix 2

Civil and Administrative Structures in Samburu

In Samburu district all the divisions and locations fall under the administration of the division officer and chief respectively, who in turn report to the district commissioner. The chiefs are appointed by the provincial administration. The communities elect their political leadership, who constitute the local parliament at ward and constituency levels. The political leadership is formed by councillors with its executive structure, and by members of parliament respectively. They represent the community and are responsible for policy formulations and by-laws for good governance.

Table 18: Civil and administrative structures in the ASAL regions

<table>
<thead>
<tr>
<th>District</th>
<th>Administrative Boundaries</th>
<th>Number / Names of Divisions</th>
<th>No. of Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marsabit</td>
<td>Isiolo District to the South east, Samburu District to the South West, Lake Turkana in the West, the Republic of Ethiopia in the north and Wajir District to the south east, and Moyale District in the north east</td>
<td>6 divisions: Laisamis, Central, Gadamoji, Loiyangalani, Maikona and North Horr.</td>
<td>28 locations in total and 57 sub-locations.</td>
</tr>
<tr>
<td>Moyale</td>
<td>Republic of Ethiopia to the north, Marsabit District to the south-west and Wajir Districts to the south - east.</td>
<td>4 divisions namely: Central, Golbo, Uran and Obbu</td>
<td></td>
</tr>
<tr>
<td>Isiolo</td>
<td>Marsabit District to the north, Garissa and Wajir to the east, Samburu District to the west and Nyambene, Meru and Laikipia Districts to the south.</td>
<td>6 divisions (which in turn have 17 Locations) namely: Merti, Oldonyiro, Kinna, Garbatulla, Sericho and Central which includes Isiolo Town (DDP, 1999).</td>
<td></td>
</tr>
<tr>
<td>Kajiado</td>
<td>Republic of Tanzania in the south, Taita Taveta District to the south-east, Machakos and Makueni Districts to the East, Nairobi to the north -east while Nakuru and kiambu District to the north and Narok District to the west.</td>
<td>7 administrative divisions</td>
<td>46 locations</td>
</tr>
<tr>
<td>Samburu</td>
<td>Marsabit District to the north, Isiolo District to the east, Laikipia District to the south, Baringo District to the south west and Turkana to the north west.</td>
<td>6 divisions: Wamba, Waso, Kirisia, Baragoi, Nyiro and Lorroki</td>
<td>35 locations (NPC 1999).</td>
</tr>
<tr>
<td>Turkana</td>
<td>Shares its boundaries with international borders with Ethiopia, Sudan and Uganda</td>
<td>17 divisions</td>
<td>58 locations</td>
</tr>
<tr>
<td>West Pokot</td>
<td>Turkana District to the north, Uganda to the east, Trans Nzoia District to the west and Marakwet and Baringo Districts to the south.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3

Animal Coding System
There is a coding system in place to identify the animals according to their class, breed, and kind. The livestock markets too are coded to help in the correct identification of origin and destination.

Table 19: Official Animal Class Codes

<table>
<thead>
<tr>
<th>Animal Class</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature Female</td>
<td>MF</td>
</tr>
<tr>
<td>Mature Male</td>
<td>MM</td>
</tr>
<tr>
<td>Young Female</td>
<td>YF</td>
</tr>
<tr>
<td>Young male</td>
<td>YM</td>
</tr>
<tr>
<td>Mature All</td>
<td>MA</td>
</tr>
<tr>
<td>Immature Female</td>
<td>IF</td>
</tr>
<tr>
<td>Immature Male</td>
<td>IM</td>
</tr>
<tr>
<td>Mature Castrate</td>
<td>MC</td>
</tr>
<tr>
<td>Young Castrate</td>
<td>YC</td>
</tr>
<tr>
<td>Immature All</td>
<td>IA</td>
</tr>
</tbody>
</table>

Animal Breeds (Cattle) | Code |
Boran                  | B    |
Zebu                   | Z    |
Sahiwal                | S    |
Exotix                 | E    |
Mixed                  | X    |

Animal Breeds (Sheep)  | Code |
Black Head             | B    |
Red Maasai             | R    |
Mixed                  | X    |

Animal Breed (Goat)    | Code |

<table>
<thead>
<tr>
<th>Galla</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. African</td>
<td>E</td>
</tr>
<tr>
<td>Mixed</td>
<td>X</td>
</tr>
</tbody>
</table>

Source: DLMC, Samburu, 2007

### Table 20: Official Market codes

<table>
<thead>
<tr>
<th>Market</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nairobi</td>
<td>NRB</td>
</tr>
<tr>
<td>2. Mombasa</td>
<td>MSA</td>
</tr>
<tr>
<td>3. Emali</td>
<td>EMA</td>
</tr>
<tr>
<td>4. Garissa</td>
<td>GAR</td>
</tr>
<tr>
<td>5. Wajir</td>
<td>WAJ</td>
</tr>
<tr>
<td>6. Isiolo</td>
<td>ISI</td>
</tr>
<tr>
<td>7. Marsabit</td>
<td>MAR</td>
</tr>
<tr>
<td>8. Marigat</td>
<td>MAG</td>
</tr>
<tr>
<td>9. Mandera</td>
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<td>10. Garsen</td>
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<td>11. Chepararei</td>
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<td>12. Moyale</td>
<td>MOY</td>
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<td>13. Suguta</td>
<td>SGT</td>
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Source: DLMC, Samburu, 2007
MEMORANDUM OF UNDERSTANDING

This Memorandum of understanding signed on 3rd March 2006 between District Livestock Marketing Council (DLMC) Samburu P.O. Box -------------- and Samburu County Council of Box 3, Narok, Laikipia. The agreement shall be binding for a period of 2 years beginning 3rd March 2006 and ends 3rd March 2008.

EXECUTIVE SUMMARY

The two partnering organization works directly with Samburu Community to promote livestock marketing within the district, with the purpose to alleviate poverty through micro enterprise development initiatives to improve their living standards. The two partners Samburu County Council and District livestock marketing council shall endeavor to achieve below objectives through the memorandum.

OBJECTIVES

➢ To promote livestock market access/information.
➢ To strengthen livestock marketing groups-LMAs.
➢ To strengthen and improve revenue collection at the livestock markets.
➢ To improve marketing infrastructure.
➢ To instill and sustain entrepreneurial culture to livestock traders.
➢ To protect livestock traders.
➢ To build capacity of livestock marketing groups.
➢ Documentation/Dissemination of information.
➢ To regulate livestock markets in the district.

In this agreement, District Livestock Marketing Council (DLMC) elected by the members to spearhead livestock marketing in Samburu District shall perform the following task on behalf of county council of Samburu:

1. Monitor the performance of Livestock Marketing Association (LMA) managing sale yard of Baragoi, Archer's Post, Lokumyani, Suguta Marakwet and any Association given mandate by the county council of Samburu to manage sale yards in the district.
2. Design best strategies of revenue collection together with Association to optimize and control cheating.
3. Build the capacities of the association to better manage the sale yard and the resources.
4. District livestock marketing council and Samburu county council shall audit the books of all the association covered by this memorandum.
5. Supervise the election of the officials of the association.
6. Put in place proper and acceptable constitution to guide and govern the association.
7. Check and verify the association properly utilizes the funds and communities benefit from the funds.
8. Advertise and source for buyers for all the markets in the district.
9. Produce/print receipt to be used for collection of the cess by all livestock marketing association (LMA) covered by this MOU.
10. Enter into agreement with livestock marketing association mandated by Samburu county council to manage and collect cess from livestock sale yards.
11. Access and recommend to Samburu county council any new site to be opened up for livestock sale yard or marketing of livestock.
12. Provide any recommendation or yearly plan of livestock marketing and development in the district to Samburu county council.
14. DLMC and the Association shall refer to Samburu county council for arbitration.

Samburu county council through their livestock-marketing component to support DLMC activities to improve livestock marketing in the district.

To make this MOU complete Samburu county council shall mandate district livestock marketing council to collect Kshs. 40 per cattle and Kshs 10 from sheep and goats every market day from all livestock sold at all sale yards covered by these MOU. The association managing the yards shall give the funds.

This is a binding agreement for the organization it should be respected by both parties to be able to realize their set objectives.

DISTRICT LISTOCK MARKETING COUNCIL

SIGN

DATE 8/3/06

JULIUS LEMALASIA
DISTRICT CHAIRMAN
DLMC - SAMBURU

SAMBURU COUNTY COUNCIL

SIGN

DATE 8/3/06

JAMES LENAYIARA
CLERK SAMBURU COUNTY COUNCIL
Appendix 5

MOU Covering Letter from Samburu County Council

COUNTY COUNCIL OF SAMBURU
P.O. BOX 3
MARALAL

Tel: (065) 62621, 62218, 62003 Fax: (065) 62193
Website: www.samburucouncil.com
Email: samburucouncil@msn.com

Our ref: SCC/GA/11/18(232)

Date: 10TH March 2006

To The Chairman

1. Loikoniwoni - L.M.A.
2. Baragoi - L.M.A.
3. Nyiro - L.M.A.
4. Wamba - L.M.A.
5. Uaso - L.M.A.
6. Suguta Marmar - L.M.A.
7. South Eiror - L.M.A.

RE: - REVENUE SHARING - AGREEMENT.

The County Council have entered into an agreement with the District Livestock Marketing Council that entails the following:

1. Mandate to supervise LMAs
2. Monitor performance
3. To audit and monitor the use of funds in collaboration with the Council.
4. Establish best systems of revenue collection.
5. To develop constitution to guide all LMAs operations.

The revenue sharing will be between the Council and Livestock Marketing Associations equally and LMAs to share with District Livestock Marketing Council according to the following rates.

- Cattle - 60%
- Sheep - 10%

The money should be remitted to the beneficiary immediately to DLMC office. All salesyards should collect 200/- for cattle and sheep 60/-

This institution is coming so that livestock marketing is rationalized and must align by the above regulations.

James Lepoyyer
Clerk to Council
Appendix 6

Permit to Move Cattle/Sheep/Goats/Pigs