

RESEARCH BRIEF

APRIL 2022

SOCIO-ECONOMIC DEVELOPMENT IN TURKANA WEST, KENYA

RESEARCH BRIEFING: BUSINESSES AND THE LOCAL ECONOMIC DEVELOPMENT

Introduction

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

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

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

Regional Context

Refugees, Urbanization and Economic Growth in Turkana West

The refugee influx in Turkana West is a key driver of urbanization and has created a refugee-based economy. The main urban centres in the sub-county are Lokichoggio and Kakuma, where the population was reported by the 2019 census as 11,626 and 22,984 persons¹, respectively. Census data indicates that the population of Kakuma town has declined from 2009 levels, when the population was reported as 31,581 persons². Indeed, Lokichoggio's population seems to have also decreased from the 13,728 persons reported in the 1999 census. However, these figures exclude the refugee population. When refugee numbers are combined with that of the host community, the Kalobeyei-Kakuma settlements cluster alone has more than 300,000 persons. The area lacks strategic infrastructure and an economy capable of sustaining this population long-term. With a refugee-based economy, concerns arise as to what the future holds for Kakuma-Kalobeyei. Indeed, the impact of refugees on the county's urbanization has produced mixed outcomes. For instance, Lokichoggio town's growth and economy had previously depended on the presence of refugee assistance programming, but since the closure of such activities the town has been in decline. This example portends an uncertain future for Kakuma town, where growth and economic lifelines are strongly tied to presence of refugees. This demands policy and assistance programming that focusses on building self-sustenance, resilience, and economic diversification to support growth and development beyond the current reliance on refugee assistance. Other than the refugee influx, urbanization in the county is driven by rural-urban migration linked to diminishing livelihoods prospects in traditional pastoral ways of life. Recurring droughts have compelled many households to seek alternative livelihoods, including seeking urban-based opportunities.

The youth are increasingly migrating to the county's major urban centres for alternative livelihoods and access to education and training. Lodwar, the largest urban centre in Turkana County, is expanding at a very rapid rate, with census data indicating that the town's population almost doubled between 2009 and 2019, growing from 44,153 to 82,970 persons³.

Historical Marginalisation and Prevailing Development Challenges

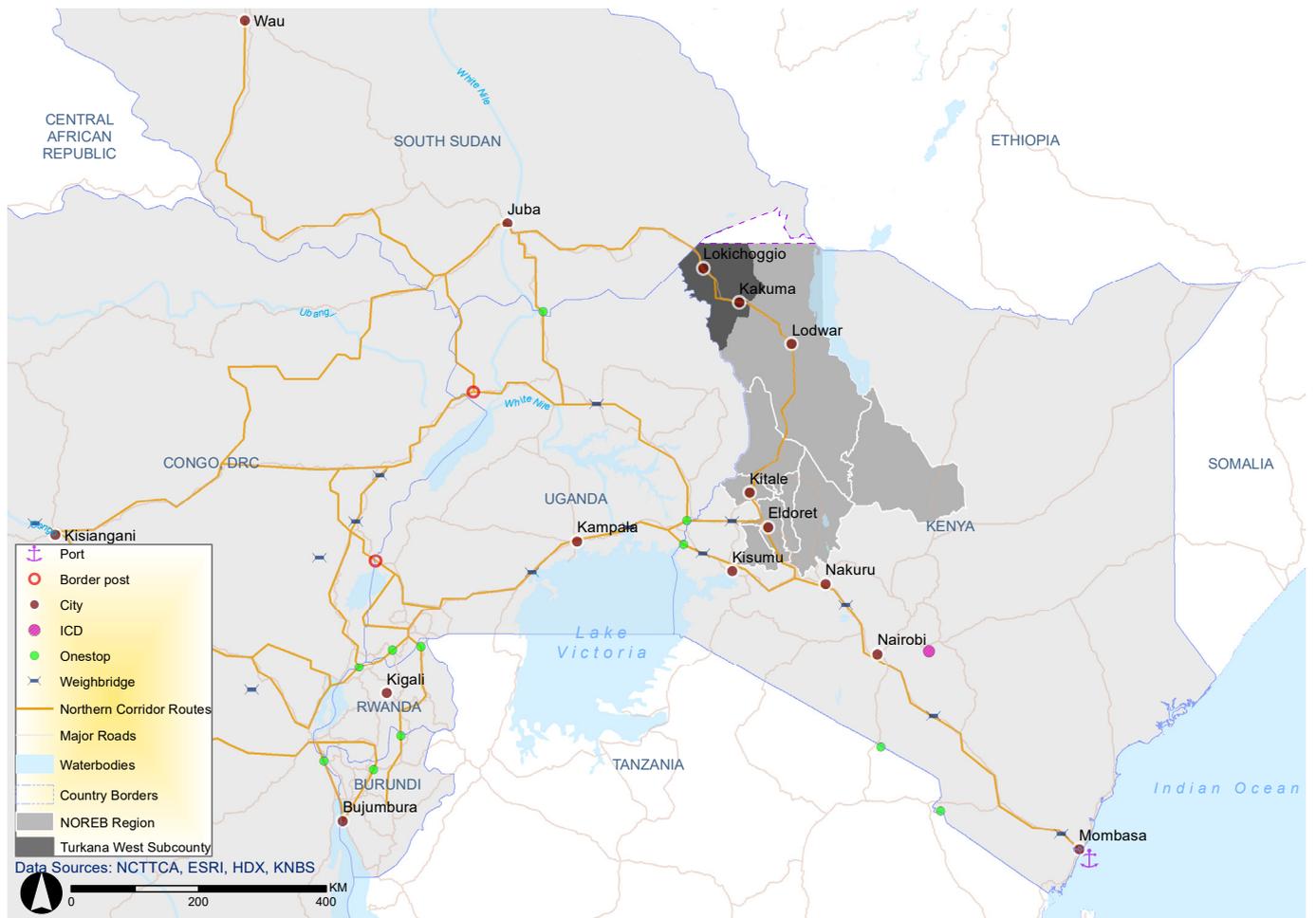
Socio-political marginalisation and underdevelopment have characterised Turkana County, and indeed Kenya's pastoral communities for decades. Kenya's Commission for Revenue Allocation (CRA) identifies Turkana County among the most marginalised regions in the country, characterising such regions as suffering from policy and governance issues. Such issues include 'conflicts and insecurity, livestock marketing challenges, land rights contestation, inadequate provision of services and infrastructure, drought and dependence on food aid⁴. Despite the combined efforts of government and non-government organizations, Turkana households remain highly impoverished and disconnected from the rest of Kenya. A key disconnecting factor over decades has been the poor condition of the A1 Road that links Turkana County to other parts of Kenya and South Sudan. The national government has only recently begun reconstructing this road, and its completion will be a major boost to regional connectivity. Similar scenarios characterise the county's energy situation, with no connection to the national grid and minimal coverage provided by local grids. Water scarcity, persistent droughts and famine compound the development challenges of the area. Yet despite these challenges, Turkana West hosts the second largest refugee population in Kenya.

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

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

3 Ibid

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



Regional Spatial-Economic Context

Most households in the Turkana County host community practice pastoralism. Communities living along the Kerio and Turkwel Rivers practice sedentary pastoralism supplemented by crop farming. Agriculture and livestock keeping are the main economic activities of the North Rift region, with pastoralism dominating the counties whose land is classified as Arid and Semi-Arid Lands (ASALs). These are rural-based economies, with more advanced urban-based economic activities concentrated in the secondary cities, which also serve as the county capitals (e.g. Eldoret, Kitale,

Lodwar etc). The secondary cities host major businesses, act as important hubs for trades flows, and are connected by regional roads. Small towns and local urban centres host public markets where local produce, especially livestock and crops are sold to external markets. Therefore, urban centres in the region are the interface between the urban and rural economies. However, certain barriers prevent the socio-economic transformation of urban centres and hinterlands, including weak market integration, water and energy challenges, and connectivity and service provision challenges related to poor road conditions.

Findings from the survey

Nature of Businesses in Turkana West

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

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



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Longevity of Businesses and the Sustainability Challenge

Although the settlements have existed for decades, the surveyed pointed to a trend of businesses do not operate for many years – the average business longevity was found to be about two years. Of surveyed businesses, 31% were less than a year old, 18.7% had existed for two years, 10.9 for three years, 9.9% for four years, and 6% for five years. Only 8.8% of enterprises were over a decade old.

This was attributed to strong competition and limited capacity or opportunity for expansion. In Lokichoggio, the closure of refugee assistance operations negatively affected the local economy, causing businesses and local industries to rely on the area's limited local capital, which can only sustain a certain level of trade. At the same time, many businesses reported short periods to break even, indicating an urgency to recoup invested capital and uncertainties regarding the long-term growth of businesses. Of the surveyed businesses, 81.2% broke even within the first year of operation, and 8.5% within the second year. The proportion of businesses breaking even within the first year of operation is slightly higher for refugee-owned businesses (84.8%) compared to host community-owned businesses (76.2%).



Of surveyed businesses, **31%** were less than a year old, **18.7%** had existed for two years, **10.9%** for three years, **9.9%** for four years, and **6%** for five years. Only **8.8%** of enterprises were over a decade old.

Cost of Starting a Business and Financing

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

Relatively Low Incomes for Most Businesses

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

Public Markets and their Significance to the Local Economy

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

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

Transportation and Connectivity

Transport and connectivity challenges have contributed to weak market integration, affecting connections to markets and urban centres outside the region, and among localities within the region. External connectivity challenges have traditionally been linked to the poor condition of the A1 Road, though the recent construction efforts are anticipated to enormously improve regional connectivity. However, local mobility suffers from underinvestment and a lack of coordinated approach.

Of the businesses surveyed, **47%** rely on motorbikes (*boda boda*) as the main mode of transportation. This is complemented by Public Service Vehicles (*matatus* or PSVs), trucks/lorries and walking.



The poorly coordinated provision of infrastructure and services is evident in Kakuma when comparing service provision in the town (i.e. host community) and refugee settlement. But business interactions occur every day between the refugee settlements and the town, and disparities in service provision of absence of appropriate infrastructure networks like transportation undermines enhancement of this socio-economic integration.

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

Water Supply and Sanitation Services

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

Water challenges are closely linked to sanitation challenges. As noted in Volume I of this report, waste management is a major challenge in Turkana West, especially regarding the disposal of faecal matter, given the prevalence of open defecation. The towns and the settlements lack an organized solid waste management system, including waste treatment facilities, and rely on dry sanitation, on-site faecal disposal methods, which have proved inadequate. Improved methods of faecal disposal, such as wet systems like septic or biodigester tanks and mini-treatment facilities, are limited to NGO and INGO facilities, as well as some public facilities.

Most businesses rely on unimproved faecal disposal methods, such as basic pit latrines, as improved sanitation systems are expensive and presumed to be the responsibility of local authorities (i.e. the county). The survey established that the absence of settlement-wide sanitation systems is a major barrier to investments that require efficient waste management, such as industries.

Energy Services

While various energy services exist in Turkana West, they fail to meet the local demands of businesses, local industries and domestic use. The survey established that many MSMEs operate in such a way that their demand for electricity is very minimal, with most of their needs met by purchasing a low-cost portable solar unit. Of the surveyed businesses, 64.8% do not incur regular electricity costs. This can partly be attributed to the high costs associated with formal electricity services. Due to camp-imposed restrictions, most refugee-owned businesses close early and do not require electricity for lighting. This is not the case for host community-owned businesses that often remain open late into the night (though during the COVID-19 period, all businesses shifted to closing before dark). However, electricity needs are not limited to lighting. Various businesses would significantly improve if they had access to affordable energy for refrigeration, heating, powering appliances etc.

Kenya Power (KP), Kenya's main electricity utility, is the primary formal electricity provider, particularly in the main towns of Kakuma and Lokichoggio. The utility company has installed mini-grids that run on diesel-powered generators, and are now extending their service to Kalobeyei. However, the energy supply deficit in towns and settlements remains, prompting independent and often informal power producers to provide electricity through diesel-powered generators and solar units.



About **67%** of the surveyed businesses pay water vendors for water supply, including **33.8%** of host community-owned businesses and **31.8%** of refugee-owned enterprises.

Informal electricity services are operated as businesses, charging monthly fees for connection. Other alternatives for electricity include solar mini-grids, currently being implemented by support organizations such as the GIZ-project in Kalobeyei New Settlement.

Of the surveyed businesses, **64.8%** do not incur regular electricity costs. This can partly be attributed to the high costs associated with formal electricity services.



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Spatial Determinants and its meaning for Businesses

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

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

Supply Chains and Linkages with Regional Markets

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



For example, **72.7%** of meat products retailers indicated that they sourced their supplies from within the Kakuma and Kalobeyei refugee settlements. On average, **34.8%** of businesses indicated that they sourced supplies from within the settlements (Kakuma and Kalobeyei).

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

Key Actors and their Significance to the Local Economy

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

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

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



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

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

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

The many years of refugees' presence in Turkana West has created a local economy heavily reliant on the circulation of finances linked to humanitarian assistance, with few investments that can guarantee socio-economic sustainability in the event these flows are withdrawn.

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

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

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

The survey established that 28.5% of businesses reported bad performance, and 44% reported below average performance during the pandemic. Only 22.5% reported average/normal performance, and 4.9% reported good performance of their enterprise. Most customers' purchasing power has diminished due to massive job losses in the local informal sector. Curfew regulations and other movement restrictions imposed by the government have affected the operation and profitability of many businesses. Most businesses mentioned

a negative impact on their sales following the imposition of COVID-19 related restrictions, blaming them for loss of business and, in some instances, closure. Businesses said they coped with the pandemic through various measures, mainly by increasing prices of commodities (30.8%), introducing home deliveries (22.4%), specialising in high-demand items (18.2%) and shifting their business to readily available items to minimise reliance on external sourcing (12.6%). Other coping mechanisms included starting online transactions, lowering prices, reducing working hours, laying off employees and goods rationing.

Recommendations

Strengthen Capacities to Grow Businesses

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

- **Establish county funds for supporting MSMEs and ensure access by Turkana West businesses** – The county's Fiscal Strategy Paper for the 2019/2020 Fiscal Year has already provided funds through its Biashara Fund for 1600 youth and women's groups to promote the county's socially inclusive development. While this is an important initiative, removing the obstacles that MSMEs face when accessing finance is needed at the policy and operational level as a long-term intervention.
- **Cooperation between private banks, external funders and local business associations** – This cooperation is critical for setting up pool funds to be invested into MSMEs and can reduce the risks associated with lending to MSMEs, thereby promoting their growth.
- **Invest in training and skills development for businesspeople** – Despite the relatively low education levels, low capital intake, and 'young' businesses, many operators report low engagement with capacity development activities. This is a gap that can be addressed by providing skills development opportunities to local businesses.
- **Develop soft infrastructure to support the local business community** – This study and the project activities of supporting creation of business associations and self-organized groups reveals several capacity gaps among the players in business and local industries. The gaps hinder the business sector and reflect the vulnerabilities within the general population (both refugees and host community). Consequently, businesses and local industries exhibit similar vulnerabilities that contribute to the 2-3-year average lifespan for most businesses. To address such challenges, the study recommends that local partners to nature networks and businesses associations that have a longer-term perspective. Some self-organized groups exist, e.g. a women's group dealing with handicrafts, but such groups require support in business training, market expansion, access to financing and better workplace facilities, e.g. well-designed and built workshops.
- **Leverage supply and value chains opportunities** – From this study, Turkana West sources most of its commodities from outside the sub-county, especially from Eldoret, Kitale, Nairobi and Uganda. Local production remains constrained, but with the potential to create immediate employment and grow the local economy, transforming it from dependency to self-sufficient autonomy. This will require investments that support local production of some commodities. For instance, by investing in a strategic water supply that can support certain levels of irrigation for food production.
- **Integrated solutions to socio-economic development** – Many studies have pointed out the opportunities created by the presence of refugees and their vital role in the county's development. However, policy restrictions and biased programming are cited as significant challenges to the optimum participation of refugees and host communities in LED. Both communities are in a dire socio-economic condition, facing various levels of deprivations and vulnerabilities that require immediate attention to spur LED and the growth of businesses and industries.

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

- **Supporting education and development for the youth** – Support for education and training requires increased investments in programs to foster higher transition across education levels and increase the number of young people with college level and vocational training. This should be combined with other programs such as mentorship and social support to enhance awareness. Further, the existing colleges and vocational training facilities need to offer programs that can address the skills gap and invest in research and development that can support local businesses and industries.
- **Invest in economic diversification for the local communities** – The study noted that the prevailing poverty and limited income generating opportunities has resulted in a very weak economy where many businesses operate as ‘survival ventures’, where growth is limited by the weak purchasing power of the local population.
- **Provide adequate basic services and amenities** – Adequate water, sanitation and energy are vital for a healthy and flourishing community, which is a prerequisite for LED.
- **Invest in labour intensive programs and build local industries** – This is required for both support programs and economic investments that are urgently needed in the area. The reconstruction of the A1 Road has created an opportunity for raw materials to easily reach Kakuma-Kalobeyei, and likewise the finished products can now be transported to external markets with ease. This scaling-up of local industries can be combined with extending ongoing programs that support vocational, technical and business training.

Environment and Natural Resources Management

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

- **Undertake land rehabilitation** – This should focus on abandoned mining pits, restoring vegetation cover, and storm water management in the settlements.
- **Invest in renewable energies** – Tapping into the natural resources of wind and solar can improve the socio-economic development indicators for the local population. With Turkana West detached from the country’s national electricity grid, there is a need to explore the potential of these resources to produce sufficient energy to transform the local economy (i.e. energy that can support domestic, businesses and industrial use).
- **Undertake feasibility studies on livestock pasture production through farming** – This would reduce the seasonal nomadic migration which often result to many children and youth missing on education and training. It can also provide potential for commercial livestock production, unlike the current production which is mainly for sustenance and cultural reasons.
- **Mainstream environmental management in spatial planning of the settlements** – The spontaneous and poor planning of some of the main settlement areas contribute to environmental challenges including flooding and loss of biodiversity.

Infrastructure Development and Reliable Basic Services

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

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

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

- Developing local water distribution systems. This should be informed by settlement and urban plans.
- Developing a set of sustainable options for dry and water sanitation systems that can support the settlements and towns. Investments in wastewater management infrastructure should be capable of supporting the current and future populations and businesses.
- Solid waste management, with investments for organized waste management systems in the main settlements and towns. This includes developing a properly engineered sanitary landfill.

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

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

Transportation Connectivity and Market Integration

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

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

- Improvement facilities at the main settlement markets. Traders indicated the need for properly designed and constructed markets that offer a variety of spaces or stalls, are well paved, and are connected to vital utilities and storage facilities. This will improve working conditions and user experience.

Information and Communication Technology –

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

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

Strengthen Spatial Planning and Land Management

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

- Establish municipalities for Kakuma-Kalobeyi and Lokichoggio settlements. This will provide a framework for dedicated local planning and better coordination of development interventions.
- While Kakuma town has an urban development plan, it lacks a proper land information database, and that plan does not integrate the refugee settlements areas. The implementation of the plan not only requires effective coordination and financing, but it needs to be reviewed with focus on a local area approach, without excluding the refugee settlement area. Indeed, strategic infrastructure for the local area demands an integrated approach to assessing and planning the local needs.

- A functional land information system can be created by documenting existing land claims and rights, building a parcel identification system, and establishing dispute settlement systems for land rights adjudication.
- A spatial planning process is required to establish a street network, allocate public spaces, and establish a settlement layout. This is especially necessary as existing parcels have been created through spontaneous and unplanned land developments.
- At policy level, there is need to address how land administration will affect economic activities in both the host and refugee community areas.

Enhance Regional Security and Peace

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

Strengthen Local Governance

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

- Address institutional barriers that undermine economic productivity for both refugees and host communities. This may require modifying existing policies and legislation or addressing the absence of relevant policies and legislation.

- Establish urban management institutions and promote participation in governance. This entails establishing municipal administration in the main urban areas, especially Kakuma-Kalobeyei and Lokichoggio.
- Mobilize a shared understanding of the concept of 'Inclusion'- Interviewees in this study with various host community participants indicated

there is disquiet in the host community that the prevailing interventions linked to KISDEP are not inclusive enough. Indeed, this research recommends an examination of how the concept of inclusion is approached and formulated by support agencies vis-à-vis how the host community view and understand the concept.

Conclusion

Enhancing business growth and local economic development in Turkana West will require a combination of efforts by multiple stakeholders, governments and NGOs. With the recent announcement by the Kenyan Government that it intends to close all refugee camps in the country, the future of the communities is a major concern. By the time of finalizing this brief, it was not clear as to what will be the status of refugees after the closure or how the closure would be undertaken. To mitigate the negative effects that come with such closures, such as those witnessed in Lokichoggio, it is important to invest in measures that prepare these communities for self-sustenance. Such investments will cut across sectors and spur local economic development. As the study reveals, the

connectivity and market integration of businesses in the region is important for local economic growth in Turkana West. The A1 Road is already proving to be vital infrastructure for facilitating this integration. Future investments, such as LAPSSSET, are anticipated to complement these benefits. However, significant investments are required to develop local infrastructure, particularly water and sanitation, transportation, and communication. Soft infrastructure is required to accompany these developments, including training and skills development for businesses, increased financial support, addressing land administration challenges and ameliorating other administrative constraints that businesses and local industries face.

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Research Briefing: Businesses and the Local Economic Development

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