Rapid Market Analysis Pilot[1]
Endebess, Kwanza District, Kenya.

(Salama Farm – businesses closed due to Election Violence)

Pilot study Dates: April 2nd – 16th 2008

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[1] The information gathered in this report was the result of a pilot of a toolkit "Rapid Market Analysis for Sudden Onset Emergencies" designed by Practical Action. The emphasis of this study was on the appropriateness and relevance of the toolkit, rather than the absolute accuracy of the information gathered that is normally a "must". Therefore, the study team would like to warn the reader that the some of the finer data collected will need additional triangulation.
The toolkit is intended to contribute to more appropriate humanitarian agency interventions by improving front-line teams' capacities to rapidly analyse markets in sudden-onset emergency situations; by developing a market monitoring guidelines adaptable to different contexts and interventions, and by enabling identification of more appropriate response options based on analysis findings. In sudden-onset emergencies, humanitarian teams usually have little access to, nor time to evaluate, baseline data about market systems' normal functioning and performance. Moreover, the crisis situation and its impact on market systems may still be rapidly evolving. Market analysis therefore has to be provisional, quick and dirty. The toolkit will reflect these marked constraints, while enabling users to better analyse markets that aims to identify the most appropriate response.

CONCLUSION

The provision of small cash grants (approx 20,000 KSh, US$333[2]) to poor small-scale farming households in Endebess, Kwanza District (approx 960 households) affected by post election violence (PEV) through the active private sector Micro Finance Institutions (Kenya Faulu, Kenya Women Financial Trust, Equity Bank etc) would be an appropriate response to assist the rehabilitation of key small business activities. These businesses constitute an important source of income for these households and range from vegetable production to the sale of second hand shoes and tailoring. Cash for Work (CfW) activities would also benefit poor households until such a time that they are in a position to re-recover and meet household needs through rehabilitated livelihood activities.

The private sector MFI market is active, competitive, well integrated and accessible to the target population (irrespective of gender). Although the market has responded well to the PEV by offering new loans to existing clients and freezing existing loans, (interest payments can resume when the household is "ready"), there are a number of households that would benefit from additional monetary assistance due to the expected financial burden of having 2 loans to repay. Concerns exist that the second loan would not be used for productive activities, but to meet immediate daily subsistence needs and rebuild/ purchase essential assets lost from the violence. The provision of the proposed grant would provide households with a greater opportunity to use the new loan more productively. The MFI would be the most appropriate vehicle for such a response as it already provides the target group with business support programmes, loans and monitors its borrowers closely through an extensive network of field monitors. Thus grant recipients would be included in the monitoring and support mechanisms already provided by the MFI and their qualified outreach and business support staff.

The study team recommend this approach to NGOs and other organisations interested in the livelihoods/ economic recovery of this population. Other activities such as increased business support and advocacy are also recommended. Poor non-loan group members who also require financial support would require a separate intervention, however, some of the methodologies used in this proposed intervention would be relevant.

Cash for Work activities (community chosen and prioritised projects) could be implemented by the NGO or a local partner, following good practice guidelines available to many NGOs. The identification of CfW households should be done with local representatives and this would be a short-term measure, with projects not conflicting with livelihood activities and payment rates in line with legal market rates.

Brief overview

As a result of Post Election Violence (PEV), a large number of small scale farming households in the Endebess area of Kwanza District have been displaced. In the process of displacement and violence, households have lost key productive assets (livestock, land, planted crops) and structures (homes, storage areas etc), incomes (maize harvests, small businesses) and savings.

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[2] A rate of 60 Kenya Shillings (KSh) to the US$ has been used in this report

The importance of small-scale business activities to these displaced and non-displaced farming households has become apparent through numerous focus group discussions with key informants and households. These businesses provide households with their second most important income source (approx 29% income), and include activities that span the production and sale of agricultural products (maize, tomatoes and onions), to tailoring and the sale of dried fish, household items, shoes and second hand clothing. Driving the success of such businesses is the availability and accessibility of small micro finance loans from a number of highly competitive Micro Finance Institutions (MFIs) in the locality. Indeed, there is a strong culture of savings and micro-finance in the population and in men and women alike.

The loss of assets and business activities in the months following election violence has left poor farming households in a difficult position – despite their enthusiasm to restart economic activities and repay loans, there is uncertainty as to how they will manage to repay existing loans, let alone new ones that would be required to re-start their activities.

The research team considered the provision of cash grants to poor small farmers as a potential intervention to this limitation. Therefore, the Micro Finance Market has been studied to ascertain the impact and responsiveness of PEV on the market to validate the feasibility of a cash based response and also identify any necessary additional market support interventions. Analysis was undertaken using a draft toolkit developed by Practical Action that was being piloted by a consortium of international NGOs and organisations that included International Rescue Committee, WFP, CHF, Mercy Corps and Oxfam GB.

This results of the study has highlighted the following:

- The MFI market has not been affected by PEV (there has been a slight increase in default rates – but this has decreased)
- The MF market has responded to the PEV by (a) freezing interest rates on existing loans until households are in a position to restart payments, (b) offering cheaper initial joining fees (from 900 KSh to 500 KSh in the case of Faulu) and (c) assisting households in the processing of insurance claims for assets lost to fire
- The MFIs are allowing loan defaulters to take out new loans to re-start their business (with a 3 month grace period). Loan applications are being based on past, pre violence savings and repayment records
- Loan interest rates have not increased and are lower than they were last year
- New MF and Banking legislation is making the market place safer and more competitive for both the client and the lending institution
- Despite Govt intentions to compensate households for losses (including assets used in businesses), the timing and targeting of such packages is unclear. Around 3 million KSh has been earmarked for this purpose. Advocacy and coordination with Govt bodies would be necessary to ensure fair and timely distribution of these funds.
- A rapid feasibility study (technical, political and social, speed, risks etc) indicates that the provision of small grants via existing MFI would be low risk and feasible. The only concerns would be if the conflict context worsened.

The proposed intervention at a glance

Overview:

- The market system itself is responding and does not require assistance
- There is a need to address the link between poorer clients (lower wealth groups) and the financial institution to ensure their access to new loans as well as their ability to repay existing loans
- Therefore, poor small scale farming households would benefit from a grant of approx 20,000 KSh (US$333) to enable their re-engagement in small businesses

Objective of intervention:

Provision of grants via micro-finance institutions to stimulate the small business activities of small-scale farmers in the Endebess area of Kwanza District

Target Group:

Poor small-scale farmers affected by the Post Election Violence (IDPs and non-IDPs) who would be crippled/ pushed into deeper poverty due to (a) repayment of old loan and (b) repayment of a new loan if taken

Modality – proposed methodology that would be used:

- Participatory approach to identify the poorest of poor. This would best done by getting the MFI, the target group representatives, NGO and the local Govt representative (from the District Steering Group) to form a committee to identify (a) the beneficiaries, and (b) the amount that would be received per household and (c) the level of community sensitisation and additional business support training needed. I.e.: "…let the people of the land decide what the solution is…"
- Intervention plans should be shared with the Govt (District Steering Group) from an early stage
- Ideally the NGO should take a low profile, facilitating the process and advocating for Govt and Financial Institutions to take the more active role.

Table 1: Proposed interventions to small scale farmers in Endebess

Intervention	Target Group	Comments
Cash for Work (CfW)	- Poor small scale PEV affected IDPs & non-IDPs who would be crippled/ pushed into deeper poverty due to (a) repayment of old loan and (b) repayment of a new loan if taken	- CfW to be provided until resettlement and income generation (need to look at seasonal needs) for those that can work – measures will be put in place for those that are unable to work (either grants or something else) - This would be a short term response
Cash Grants for activity re-start & asset purchase. **Approx average of 20,000 KSh/ h/h will be provided to households**	- Poor group members who have not received Govt "debt/ loan relief" and non group member households - MFI as they will be used to (a) identify grant households and (b) channel the loans and (c) provide business support and monitor loan use	- Small grant to be provided once resettled to assist with the repayment of old loan / restart new (this would be available to IDPs and non-IDPs). This would be provided through the MFI working in the areas. - Interest would not be paid on the grants provided – just on the amount borrowed - This could also be done using vouchers for certain items such as cows (would depend on the asset being purchased, the number of assets of this type and also the preference of

		the target group). - Some flexibility will be provided to IDPs who are able to restart activities whilst still living in IDP camps
Advocacy and awareness raising of policies (Govt and Micro-finance Institutions)	- All affected households - Micro Finance Institutions, - NGOs and Govt	- Advocacy and awareness raising to ensure households/ groups and non-group members are aware of policies and rights and opportunities available Examples: - Advocate at Govt level for asset loss compensation payment & investigate insurance payments. - Advocate for NGOs & civil society to be involved in monitoring of Govt compensation payments

Potential difficulties

- The identification of poor households may be a challenge and could lead to an increase in intra tribal and household tensions. It is recommended that this is tackled by community representatives and local Govt as well as group members
- Monitoring of the grant recipient households by the MFIs of cash use could assist in ensuring that households use the cash for intended purposes. By providing the right amount required at the right time and allowing for the cost of living in the grant provided (until such a time that the household is in a position to meet their own needs) the potential for cash misuse would also be reduced.
- There is a slight risk of distributing cash in the conflict areas – and also the fact that this could result in additional conflict

Part A – Initial Selection of Essential Market Systems

Steps 1 - 2: Markets & Livelihoods Baselines

How did people interact with and rely on market systems before the crisis?

Key Analytical Questions for Baselines

1 What were the main characteristics of the principal livelihood groupings in the affected area (pre-crisis)?

2 Which essential market systems did the current target livelihood groups normally rely upon most?

Endebess Division can be characterised by the agricultural production of maize, beans, agricultural seeds (mainly maize) and dairy products as well as horticultural products (tomatoes and onions).

The area is characterised by:

- **Large-scale government (Kenya Seed Company (KSC) and Agricultural Development Cooperation (ADC) and private farms** that produce: maize and vegetable seeds, dairy and other animal related products, coffee and flowers.

  These farms provide permanent employment for a relatively small number of people and seasonal employment for large numbers. The large-scale dairy farms sell off cows to the local population at a lower than market price. The KSC and ADC will have half maize and half dairy production at a large scale. The majority of the state farms are in Chepchoina and Endebess.

Government payment rates are 97.75 Ksh/day (approx 100 Ksh = US$1.67) – this tends to be paid in the large private and state farms. In kind payments are common on some of the farms after the harvest period

- **Small scale farmers** (approx 90% of the rural population) that dominantly produce maize and beans, small scale dairy production (mainly for household consumption as well as localised sales), some vegetable production (the importance of tomatoes and onions varies according to area), casual labour sales, also a small businesses that tend to be financed by small informal loans ("merry-go-round") or formal loans from lending institutions such as Equity Bank & Kenya Women Finance Trust etc. The majority of these farmers will tend to have some form of land title deed or entitlement.

  Local casual labourers are paid on small/ medium private farms 50 Ksh/day. In kind payments are common on some of the farms after the harvest period

- **Large businesses** such as wholesalers of staple foods, agricultural inputs, housing materials etc (these businesses tend to be located in urban areas)
- **Casual labourers** (approx 10% of the rural population) that can be divided into 2 groups:
  - The casual labourers that live and work all year round on large state and private farms (30% population), are paid a monthly wage and are provided with housing and in most cases a small plot of land (approx 1/10th acre) on which they produce some food for household consumption and they will have a small business that will generate additional income. These casual labourers have some level of job security (with a fixed Govt daily rate) and some are able to invest in 1-2 cattle (local breeds) etc and other assets.
  - The casual labourers that work seasonally on large state and private farms as well as private small scale farms (70% population). This group of labourers have lower job security (are not paid the Govt rate when working on small private farms and are reliant on seasonal fluctuations), some may have a small plot of land – and this is normally illegal (squatting). This group will not have assets such as a cow etc

    Local casual workers are paid on small/ medium private farms 50 Ksh/day (US$ 0.83)

Areas affected by the violence

In Endebess Division (Kwanza District) – Koibe location (Salama and Gatatha farms) were most affected, with high rates of structural damage and loss of human life. There was less damage in Chepchoina location and Endebess. In Chapturagai there was looting of shops and burning of businesses, like wise in Gatatha where houses were burnt and they lost everything to looting (maize, cows and other small businesses).

Detailed information on losses to lives, infrastructures (including housing), productive and non-productive assets and lost business activities can be collected from the local Government. However, national estimates of losses of: 1,200 lives, dislocation of 350,000 people and damages amounting to 90 billion Ksh have been reported in the Report of the

National Accord Implementation Committee on National Reconciliation and Emergency Social and Economic Recovery Strategy (Government of Kenya 2008).

<u>The affected area population can be divided into 2 livelihood groups</u>

The first group are the IDPs who are now settled in camps due to the post election violence (PEV)

- They were mostly **small-scale farmers** with approx 6-8 household members. Assets included: owning around 2-3 acres, average 5 livestock (including oxen for ploughing) and other small animals (chickens and some goats etc), basic agricultural tools. The group also undertook some small-scale business (selling clothes, food stuffs, dried fish etc). A small number of these households have restarted their business although at a lower scale in the camps. This group also sell their labour during the hunger period and peak periods of agricultural activity (80-85% of the IDP population)
- **Casual labourers** working in the large private and state farms (10-15% of the IDP population). Apparently these casual labourers are still under employment despite staying in the camp. In fact, they are provided with an escort to and from their place of work.
- **Small-scale traders** that owned small shops and traded in maize and other such commodities (5% of the IDP population). Some of these traders have re-started their businesses although at a smaller scale in the camps

The IDP population in Endebess camp consists of 8,488 (Kenya Red Cross) to 8,012 (MSF) people. Most people came from Salama, Gatatha and to a lesser extent Endebess Schemes (farms), Kimondo and Chapturagai.

According to camp officials including the District Commissioner (DC) for Kwanza District there are a number or opportunistic locals who are also staying in the camps. These are households that may not be affected by the violence, but they are taking advantage of the situation to access free resources.

The second group are the remaining population in the Endebess area that are not in the IDP camps are not completely responsible for post election violence and the consequential displacement of families

- They were **mostly small-scale farmers** – average owning around 2-3 acres (about 80-85%)
- Casual labourers working in the large private and state farms
- Small scale traders

<u>Overview of average small farming household (IDP and non-IDP)</u>

6-8 household members
Assets:

- 2-3 acres – 1.5 – 2 acres maize, 0.5-1 acre vegetables in particular onions, tomatoes and the rest of land for house (extent of vegetable production is area dependent)
- 3 –5 livestock including 1 oxen, a donkey, goats, sheep etc. Livestock is used for milk and ploughing
- Small business – either a small kiosk or buying and selling maize, vegetables, basic household items, clothes etc

Approximate Annual Income & Expenditure

Expenditure for household on daily needs – 200 - 300 Ksh/ day (as recorded in focus group discussion) on food fuel etc and other expenditures are very seasonal – January to April are reported as the most expensive months with school fees, uniforms, books as well as agricultural inputs. Households are reliant on local shops for daily and seasonal needs.

Profit per household was approximated at 25% per household. This profit was saved in the form of animal and asset purchase (bicycle, goats, cow etc).

Small businesses make more profit than agricultural products due to the increasing cost of inputs and land preparation and cultivation costs.

Table 2: Focus group discussions identified the following income sources

Source of Income	**Income 1 year (Kenya Shillings)**	**Approx %**
Sale of maize harvest (2.5 acres=75 bags average) 5 bags kept for consumption (70 bags*900KSh)	63,000	29%
Sale of vegetables – onions, tomatoes and other vegetables	Hard to estimate – area dependent – can be significant	
Sale of milk (2 cows producing 10 litres a day – of which 3 are consumed) (7*20Ksh/l/ day)	51,100	24%
Credit (Formal and informal)	10-50,000 (30,000)	14%
Small business	50-75,000 (62,500)	29%
Casual labour	5,000 – 10,000 (7,500)	4%
TOTAL	**214,100 K Shillings**	**100%**

Formal Credit

Most households are borrowing in groups from Kenya Faulu and Kenya Women's Finance Trust (KWFT). In fact, it seems as if individual loans are not possible. Faulu has only been active in the area for the last 18 months and KWF for the last 4 years. Appointed agents of both lending institutions visit the rural areas promoting their lending institution. Households spoken to prefer Faulu to KWFT mainly because it is available to both sexes, in contrast KWF is only available to women and usually the loans are smaller.

Most households are organised in lending groups of approximately 25 – 40 people. Each person borrows approx 20 – 50,000 K/Sh a year to finance small business activities such as: tailoring, sale of maize, household items, second-hand clothing, shoes, milk and vegetables. To reduce intra-group competitiveness, each group member has a different activity.

Generally the loan is repaid within a year. Interest payments are paid weekly (Faulu) or monthly (KWFT) and this depends on the amount borrowed and the lump sum borrowed is repaid at the end of the loan period. One member of the group pays in the regular interest to the visiting lending agent. Payments per person are registered by both the lending agent as well as the group representative. These groups are made up of displaced and non-displaced households. The groups were set up this way as "there was harmony" between the households prior to the election violence. The groups are likely to re-start working together and in some groups, they have already started discussing how they are going to get re-started.

Various loans are available:

- Loan for agriculture (tends to be for one season) – this tends to be taken in March April. This year, this loan has not been taken due to the PEV.
- Loan for business that can be taken at any point in the year and is for one year. Most households take out this loan in January when they also have the highest expenditures – such as school fees. Many households have defaulted this loan as the repayment period coincided with the PEV
- Loan for education this is also commonly taken in January although it is available all year round – this is not commonly used
- Loan for household items (television, furniture etc) – this is not commonly used

When a loan is taken, it is tied to an asset (cow, goats etc) as security. Household items are not often used as security. These items would be liquidated by the group should the borrower default on payments. The group sell the item and repay the defaulted loan. Both the husband and wife sign loan contracts and in the case of a polygamous marriage, the eldest wife signs.

To join Faulu, before a loan can be taken, the borrower has to pay a fee of 900 Ksh and also take part in a part time training course that lasts 6 weeks. Prior to being able to access the loan, households must have saved approx 10% of the loan amount. The training consists of courses such as basic business management and terms and conditions. The amount an individual can borrow depends on their ability to repay it (business idea), their assets. In Faulu borrowers can also save regularly at the time of interest repayment – the amount of savings at the time of renewing the loan can also determine the future amount that can be borrowed. The months in which it is hardest to repay the interest on the loan is from May to August (during the hunger period).

Due to the PEV, whereby savings and assets have been lost, the IDPs are unable to repay their loan – they are unsure what they will do and also how they will manage to repay the loan. In the past, the group loans were taken by IDPs and non-IDPs as in those days there was harmony and good relationships between the households. Some of these groups are still meeting and some intend on working together in the future.

Some credit institutions have been visiting the camp and it was reported that some have been placing pressure on households to repay their loans. Other credit institutions have been supportive and have provided some financial counselling.

Informal Credit

Households are also reliant on informal credit in the form of (a) Merry-go-rounds and (b) Table Banking. Both rely on a frequent (weekly or monthly) gathering of households in which a sum of money per household is contributed. In the case of the merry-go-round this is a fixed sum and the total sum collected is given to an allocated person in the group to use as they wish. In this system, the cash is allocated in turns to ensure that eventually all households access the same lump sum of cash. In the case of Table Banking, households contribute what you can and the amount is given to a person in the group that has a good business idea – then the cash has to be returned to the group with profit. It is not uncommon for some of this cash to be given to needy people in the community.

Households claimed to prefer merry-go-round to table banking – as the money used in this system is “their own” although both contributed small amounts.

Post Election Violence – restarting business

People would be ready to restart business – some right now (and this is evident in the number of small businesses that have opened up in the camp) and others when they get home/ resettle.

The amount required to re-start a business depends on the activity and where the goods have to be purchased. Many goods may have to be purchased in Kitale and transported to the local areas.

On average households interviewed said that they would require approx 30 – 50,000 Ksh to restart their businesses from scratch. This also includes basic food needs. This does not include the cost of maize and bean seeds and related inputs (loan increase to 100,000). If such a loan was provided, it would take about 2 months for the business to pick up and 6 months for it to have stabilised. If support were to be provided, they would prefer to get it through the group due to the internal monitoring and accountability possible. A solution would have to be found for people who have also lost assets that are not group members. They would prefer cash support rather than in-kind. They are aware of what to buy and from where.

No new loans have been taken by IDPs since their move to the camp. Many households were pending loans closure as well as new loans prior to the violence.

Although the Govt has promised to compensate the loans taken and lost assets, households are not hopeful as a similar promise was made in 1992 and no compensation was provided.

Seasonal Activities

These are the seasonal activities in the Endebess area, as reported by key informants and households interviewed in focus group discussions

Table 3: Seasonal activities in the Endebess areas

Month	**Activities**
February – early May	Ploughing, planting (maize, beans, vegetables)
	Sale of casual labour
April – July	Hunger period starts
June – July	Beans harvested – income boosted
	Hunger period lessens
	Highest demand for casual labour
August – September	Consumption of green maize
	Harvest of tomatoes & sale of produce
	End of hunger period
September - December	Full time work on the big farms
	Harvest of hay for cattle
Jan – February	Less casual employment
	Lots of expenditure from December. Christmas and school fees
	Stocks are still available to households

Decision point – The groups in crisis that will be the focus of further market analysis
Small scale farmers for both IDP & remaining families

Which essential market systems did the current target livelihood groups normally rely upon most?

- Maize and bean market (as a source of income, food and employment)

- Small businesses (all year round, supplementary income & female dominated)
- Loans and credit (formal and informal)

Decision point: Identification of Essential market systems (pre-crisis)

- Maize and bean market
- Credit and small loans for income generation (dominantly female although males also participate)
- Small shops for the purchase of food and non-food items (needs are currently met by the Govt in IDO camps). Govt also claims to be meeting some food needs of the remaining population to reduce tension.

Steps 3 – 5: Initial Situational Analysis

How have people's interactions with essential markets been affected by the crisis?

> Key Analytical Questions
>
> 3 Extraordinary markets: What other market systems are likely to become essential (even temporarily) in meeting target groups priority needs, due to the crisis?
>
> 4 Availability: How well do all these essential market systems appear to be responding already, to crisis-induced changes in demand or supply?
> How are market actors coping?
>
> 5 Access: Are different target groups likely to face significant problems now or in the near future with their access to any of the essential market systems identified in Steps 2 and 3. How are they coping?

Extraordinary markets include:

- Shelter materials (Govt plans on meeting these needs)
- Agricultural inputs & tools (Govt plans on meeting these needs)

There is a need to monitor & advocate for Govt timely action, targeting, amounts, inclusion of poor and marginalised (households that may not be of the same political outlook etc) groups and so forth.

Q: How well do all these essential market systems appear to be responding already, to crisis-induced changes in demand or supply? How are market actors coping?

Now, the impact of Post Election Violence (PEV) on the following groups is as follows:

Medium/ Large-scale traders

- The majority of markets have recovered as access is as before
- Prices that were once elevated have started to go down
- Price of maize is still higher that it would normally be this time last year – there is a lack of maize due to (a) loss of stocks due to burning of granaries (b) panic sales at time of violence and (c) poorly stored maize that has resulted in losses to insects etc.
- Medium scale traders have had to apply coping mechanisms – such as diversification of their activities (buying and selling of milk etc)

Additional external factors such as increased global process of food and oil

- Prices of fertiliser (especially maize, that is imported into Kenya) has increased, this has meant that some input wholesalers have purchased less
- Cost of transport is increasing

Q: Are different target groups likely to face significant problems now or in the near future with their access to any of the essential market systems identified in Steps 2 and 3. How are they coping?

This is very dependant on the Govt response and time of resettlement (and this appears to be reliant on the level of security at the place of origin of the IDPs as well as internal Government discussions relating to the appointment of Ministers to key cabinet positions. The government is keen for households to return to their place of origin to the point that the "voluntary return" that is within the right of the IDPs may be forgone. There is lack of clarity as to when this could occur although it is estimated that there will be a big effort from the side of the Government in the weeks to come. The pull factors being provided by the State include: the provision of seeds and fertilisers at place of origin as well as food for 6 months (to meet food needs until the next harvest) and a tent. The State is not willing to provide IDPs with these inputs whilst they stay in the camps – and conversely, the IDPs do not trust the State and are unwilling to leave without these asset transfers.

The situation is augmented by the fact that the IDPs who have returned to Salama (one of the areas from which large numbers of IDPs originated) have not received the promised transfers within the 2 week period that they returned. According to them, they have only received 2 weeks of food (which is almost over) and an insufficient number of tents. Although their land has been ploughed by the Govt tractor, no inputs at that time had been provided and it was not clear when they would be provided.

The IDPs in the camps are receiving basic food rations and other basic needs from the Government (via the Kenya Red Cross) and other NGOs (such as MSF, IRC, Oxfam GB). There are concerns that the level of food aid (and other sectors such as shelter) does not lie within Sphere Standards, with lack of clarity of amounts being provided to households, whether or not larger households receive proportionally larger amounts etc. In addition the type of maize being provided is yellow maize – not a variety that is culturally well received in these areas.

IDP household are coping via a number of strategies. These include:

- Sale of rations
- Initiation of small business/ petty trade (if they have resources to do so – some households managed to sell some/ all of their maize harvest albeit at a lower price)
- Sending a household member back to the place of origin to initiate farming activities and maintaining other household members in the camp to ensure access to assets
- Seeking work in the areas near the camp and within the camp (not so easy)
- Reduction in the quality and quantity of food consumed
- Reduction in typical/ normal household expenditures

Table 4: Summary of impact on availability and access for essential market systems							
For Livelihood Group – Small farmers *Typical income / expenditure: / month*							
	Normal Context (Step 2)		**Availability Now & Near Future (Step 4)**		**Access Now & Near Future (Step 5)**		
Market Systems	**Normal Reliance Apr-July**	**Contextual Factors**	**Impact on Market System Actors**	**Market System Response**	**Impact on Target Group's Interactions**	**People's Coping Strategies**	**Seasonality October - March**
For Income							
Maize	*5 - 10%*	*Prices increased for maize & inputs* *Climatic conditions & time of planting affect production* *Beans mainly for h/h consumption* *Seasonal price variations*	*Decrease in supply, increase in prices- access transport is O.K.*	*Increase in price, people are diversifying income, close of businesses*	*Maize burned, sold at lower prices, loss of production, Land taken, title deed changed*	*Sale maize rations KSH 13-14 KG, reduced meals, lack of storage*	*85% - the harvest is an important source of income*
Beans	*0%*		*The same as above*				*Prices variation*
Casual Labour	*10%*	*State owned farms, State fixed wages, maize, flowers, own land or lease*	*Less demand, geographical patchy demand and supply*	*Decreased wages, alternative labour*	*Irregular engagement*	*Small businesses, sale of rations, reduced meal size, employment in the camp*	
Small Businesses	*30%*	*Security effect on borrowers, interest rates at banks 19%*	*Closed, reduced selling and buying activities*	*High demand from loan sharks, shift of business to the camp*	*Very weak/risky (capital repayment, Reduction in assets)*	*Small businesses in the camp*	
Credit & Loans	*30- 40%*	*Loans are used for small businesses and vegetable production*	*Defaulted loans due to lost assets (used as collateral) and earnings*	*Govt advice/ policy to Micro Finance institutions freeze interest and allow borrowers to repay when they can… & also promises of*	*Inability tot take new loans due to lost assets* *Uncertainty as to how best repay loans and access new credit without assets*		*Loans taken for business as well as agricultural activities*

				compensation. Govt also encouraging Insurance for defaults			
Tomatoes & Onions	*5-20%*	*Cash crop, exported, seasonality* ***Very location dependant – in some areas this is an important income source***	*Reduced production, increased prices, end of season*	*Prices increased (seasonality, post election violence) import tomatoes from West Pokot (high than normal)*	*Lost income* *Need to purchase tomatoes (substitution)*	*Reduced consumption in general and few HH can afford to buy*	*June – April it comprise 30% of the income for both men and women*
Vegetables	*3%*	*Mainly for consumption & some smaller sales*	*Reduced production, high prices,*	*Prices increased (seasonality, post election violence) import vegetables to Naivasha*	*Same as above*	*Reduced consumption in general and few HH can afford to buy*	*June – December* *20% of the income, reduction in prices*
Livestock	*10-20 %*	*Climate, land size, veterinary fees*	*Loss of animals, animal feed price increased, low supply, milk loss in farm*		*Stress sales* *Reduced income*	*Stress sales, buy from ADC farms, selling milk in the camp*	*April – July* *Long rains, increased supply of milk, less expensive fodder, milk prices decrease*
For Consumption							
Local Shops (Food, NFI)	*90%*		*Closed, reduced business transactions*	*Shift location, increased prices, closure of business*	*Less interaction with local shops, reduced amounts, sales of food aid rations*	*Reliance on food aid, exchange food rations to buy other essentials as soap,*	
Input	*100%*	*Global and national*	*Reduced demand, changes*	*Shift to locally*	*Reduced demand, less*	*Planting with*	

Supplies		*increase in prices*	*in consumption patterns*	*produced fertilizers* *Wholesalers ordering less* *Increase in prices*	*harvest, land under cultivation*	*reduced amount of input (poor yield) increased intercropping, growing for substance and household consumption*	
Extraordinary Markets							
Shelter		*Houses burned, people moved,*	*Reduced access, roads blocked, demand is low since they provided with KRC shelters*		*Decreased demand (tents available at the IDP site) but demand in the future might increase upon returns back to the burned homes*	*Government response, NGOs (local and INGs) use of waste materials (plastic bags, sheets)*	
Agricultural Tools		*One set of Agricultural tool (Hoe, spade, slasher, panga) it last 3 to5 years*					*Mid March – April* *Dry spell,* *Short rains from September to November*

Step 6: Selection of Market Systems

Deciding which market systems should be prioritised now for rapid analysis

Key Analytical Question

6 Which market systems are priority candidates for rapid market analysis?

The table below highlights the markets that may require further analysis – the decisions made are also taking into consideration the planned interventions of the Government. Such interventions include:

- The ploughing of land – using tractors and also oxen (for less accessible sights)
- The provision of seeds and fertilisers (these include staple as well as vegetable seeds)
- The provision of 3 months food on relocation as well as 3 additional months food after 2 months. Thus proving sufficient amounts of food until the staple food harvest and end of the hunger period
- The replacement of lost housing and business structures
- The compensation of business losses and other assets
- Supporting households that have taken loans/ credit by
    - Asking all loan defaulters to register with the District Commissioner's office
    - Lending institutions are to halt interest rates until repayment can re-start & also not pressurise repayment
    - Informing households that they can take out new loans
    - Encourage the use of insurance systems – where loans have been fully defaulted – so that losses are not pushed onto the lenders

The Government has asked displaced persons to register their losses (these are being verified by village chiefs). These registers will be used for compensation payments etc. There is a lack of clarity over the impartial representation of these people, the timing of the assistance and whether or not the affected people are aware of their rights.

<u>There are also concerns that govt and other NGO responses could result in increased hostilities between the IDP and non-IDP population due to the asset transfers that the IDP population receive.</u>

Table 5: Selection of Market Systems for Analysis

Market System	**Importance to Target Group Small farmer (IDP & host)**		**Risk of Market Failing & Rationale**	**Rationale for Selection**
	Now - July	***July - October***		
For income generation				
Staples – maize & beans	*Low*	*High*	*High – due to lack of planting*	*Underpins incomes for livelihood group BUT Government is planning to cover needs – needs to be monitored*
Tomatoes and vegetables	*Medium*	*High*	*High*	*Government planning to cover needs – needs to be monitored*

Casual Labour	*Medium*	*Medium*	*Medium Patchy and unpredictable access to labour*	*This market is essential because it has no support from the gov or any other entity. In addition, large portion of the targeted group generate their main income from this market.*
Small business	*High*	*High*	*Medium to High – due to defaulted loans and loss of assets*	*This market provides households with a steady stream of income. It is unclear the extent of Govt assistance or market response – especially for the poorest section of the population*
Credit & small loans	*High*	*Medium*	*High – lack of capital and failed loans*	*This market is important for all targeted groups and it is a year around activity that supplement the income seasonality of maize, beans, and casual labour. In addition, loans are used to finance agricultural activities*
Livestock - milk	*Low*	*Low*	*Low – State dairy still functioning*	*Relatively insignificant – not selected*
For Consumption				
Local shops-food and NFI	*Low*	*High*	*High*	*? Government should be compensating*
Input	*High*	*Low*	*High*	*Although it is a critical market that accommodates maize planting the government is covering the need –it is not selected*
Agricultural tools	*High*	*Low*	*High*	
Shelter Material	*Low*	*High*	*High*	

Selection of Market Systems: Step 6

The market systems are highest priority for detailed analysis by weighing the relative reliance of house hold system and the likely hood of these systems failing or may soon fail to meet people's needs are:

1- Credit and small loans/ Micro Finance Market

Part B – Rapid analysis of critical market systems

> **Key Analytical Questions**
>
> 7 Structure: How was this market system organised before the crisis?
>
> 8 Performance: How well did this market system work: access, quantities or availability, prices; market integration and competitiveness

Q: Who were the market chain actors and how were they interlinked within the market system?

The actors are: Government lending via Ministry of Gender, Sports, Culture & Social Services through the District Development Office (DDO) / District Social Development Office (DSDO), Central Bank of Kenya, Public Commercial Banks, Government owned banks, Micro lending Institutions, Informal lending system

Market actors are interlinked with each other (see map below) and with Central Bank of Kenya (CBK) and disbursed loans directly to the small Farmers.

At the end of 2007 UNDP gave Equity bank 3 billion KSh specifically for their small loans to women's groups – this programme is called "*fanikisha*" (meaning "prosperous"). This has boosted financial lending to women in general.

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(SEE MARKET MAP ANNEX 1)

Q: What functions did different market actors play in the supply chain, how many compete to perform any specific function?

<u>Government lending</u> The government runs a poverty eradication programme. Annual amount disbursed 1.3 million KS. DDO receives the money from CBK deposited in the public owned banks, disburse the loans to customers at a low rate of interest (5%), collaborate with DSDO (registered groups), hire micro lending institute to manage and collect repayments from clients (at a fee that will increase the rate of interest charged to clients up to 8%.

<u>Private Sector Lending</u>

Commercial bank: there are 34 commercial banks in Kenya of which 3 provide micro finance and 2 government affiliated banks (Kenya Commercial Bank and National Bank). In total there are 2 million customers (bankers) who deal with Nairobi Stock Exchange. These banks receives money from CBK at 12-13%, through their boards they decide the rate of interest to charge clients (Equity Bank charge 13-15%). CBK print money monitors, sets norms, rules and regulate the banking system. Government owned banks and the commercial banks adhere to the same rules and regulations that set by CBK as Government banking Act, and rules of banking licenses. Equity Bank has around 1000 individual clients in Endebess area, loans size between 1,000 – 300,000 KES for the first category and then 300,000 – 5 million KES for the well off, there is high level of competition between banks on rate of interest and line of products, benefits to offer. Equity bank till November 2007, the rate of interest was 18% and because of the competition now it is down to 15% to reach more lower class.

<u>Micro Finance Lending Institutions</u>:

There are 6 institutions in Kitale (K-Reb, Kenya Faulu, Kenya Women Financial Trust fund, WV-KADET, Equity Bank, SMEP, and ECOLP). Some banks operate as micro finance lending intuitions as well (Equity Bank, K-Rep). They work with registered groups (20 – 30 individual registered with the DSDO with a name). The groups divided to sub groups of 5 to guarantee one another. The group borrow the money as a group but bare individual responsibilities to pay their individual savings (sometimes referred to as "shares") through individual weekly payments that goes to their Individual saving accounts (equity) as well as to the group account to pay the loan (they pay twice). 10% of each individual loan needs to be paid up front before getting the loan. Faulu charge between 18 -20% rate of interest, big cliental they disburse around 8 million KS to maize farmers who constitute 98% of their portfolio, they have 10 groups in the Endebess camp, loans sizes are between 25,000 – 100,000 KS. Farmers pay only the interest rate till the harvest they pay the principal of the loan- the period to pay back loans varies between 3 month, 6 month and a year, default rates on loans not more than 5%. Entry fees and start up package is 900 KS. Micro Finance Act has passed last year to govern and regulate the sector. Will be beneficial and it will allow the institutions to use the equity (saving account) of the group for further lending.

<u>Informal Lending: Merry-go-round, Table Banking.</u>

Merry-go-round: group of 20 to 30 collect money and give it to one person at a time and it goes around. Table banking is the same idea but you pay it back with a small interest between 50 – 100 KS and it is smaller amount. It is an old practice in Kenya culture. Merry-go-round is the biggest competition to Faulu since the groups do not pay rate of interest

<u>Other lending institutions</u>

There are 9 NGOs and 1 Credit Union that also provides micro-finance to households as individuals and groups. It appears that some of these are active the Endebess area, although most relatively recently.

Q: Which Services and what infrastructure played a part in supporting the market system?

IT services, wire transfers, SWIFT system, Finance training as Kenya school of Monetary Studies, Roads, and transportation to deliver cheques.

Q: What institutions, rules, regulations and norms played an important part in shaping the business environment for this market system (positively or negatively?)

KCB – Government Banking Act, Banking Licences, cultural/social (dependency and influence of community cohesion as not push each other to pay these loans), security

The Micro-Finance Act was introduced recently (in late 2007) and the Micro Finance Institutions have welcomed this for various reasons including: (a) they think that this will regulate the MF market, thus reducing competition and eliminating fraudulent and illegal MF providers (b) this Act will allow them to access the savings to provide new loans. Access to savings provides cheaper credit (reducing reliance on banks for capital) thus they are in a position to reduce interest rates.

Step 8 – Market baseline: Performance of market system before crisis (quantities, prices, access, competitiveness and integration)

Q: What volumes/quantities will be traded at this time of year? Amount of Loans that disbursed by lending institutions before crisis

(See Annex 3 for a full breakdown of gross loan portfolio and number of active borrowers – this is from the Micro Finance Gateway for Kenya)

Equity Bank: Core Capital disbursed around 5 billion KS (Nationally US$348/ year and 392,000 active borrowers)

Faulu: 8 million KS year? (Nationally US$25million/ year, 90,000 active borrowers)
DDO: 1.3 million a year

Q: What are normal prices around this time of the year – Rate of interest charged by banks and lending institutions?

- DDO 8-5%,
- Equity Bank 13 – 15%,
- Faulu 18 – 20%,
- Table Banking: 50 -100 KS

Q: Which groups and how many usually access this market and who is excluded?

The system really works well. There are different rates and different packages tailored to fit different economic levels of the customers. No body is excluded only the people with bad credit history (not paying)

Q: Are there functions or links that in the market system which are normally dominated by one or two lenders?

No. The system is competitive

Q: Do similar price fluctuations in the local area tends to reflect similar fluctuations in the national market

Banking interest rates are fixed nationally and so national fluctuations would be reflected in local ones. The main lending institutions have branches all over the country too.

Q: Is there normally significant trading between the crisis affected areas and other less affected areas

Yes

Steps 9 – 13: Market System Situation Analysis

How has the market system's capacity, functioning and response been affected by the crisis?

Key Analytical Questions

9 How has the crisis affected the market system's structure and functioning?

10 How well are market actors coping and responding to the crisis?

11 How have competitiveness or integration with other markets been affected?

12 What is the net impact on access, prices and quantities now being traded?

13 What is the gap between the market system's current response (availability) and the emergency needs of target livelihood groups?

Step 9: How has the crisis affected the market system's structure and functioning?

Q: What impact has the emergency had on particular market chain actors and their linkages or relationships?

- There has not been a significant impact. Banks and financial institutions have remained open throughout the crisis.
- The main disruption was:
    - The lack of physical access between the bank and the customer due to road blocks
    - The fact that customers lost assets and savings that had been purchased by loans
    - Linkages between group members were severed due to the conflict (this is because some groups were comprised of opposing political/ socio-ethnic households)
- Poor physical access between Central bank and the district resulted in the delayed sending of cheques and their subsequent processing

Q: Are there specific functions in the market system which have been affected?
No

Q: What impact has the emergency had on services and infrastructure which normally support the market system?
Apart from transportation (mentioned above) nothing else. The majority is IT reliant and this worked throughout the crisis

Q: What impact (either positive or negative) has the emergency had on institutions, rules, regulations and norms that normally shape the business environment for this market system?
Negative impact

1. Higher rates of loan default rates across institutions from less than 5% (normal scenario) to 20% in January and February due to the impact of the PEV. Financial institutions report a decrease in default rates to slightly higher than normal (5-10%). This rate is expected to return to normal in the next few months.
2. Depletion of household savings accounts. Normally households did not use their savings accounts. Since the PEV, households have started using these funds. The use of these funds could affect the amount borrowed in the future as the amount borrowed is based on the savings capacity and repayment record of the individual. However, the lending institutions have said that they would look at the repayment and savings record of the household prior to PEV as evidence of their status.

Positive impact

1. The institutions have generated new business as they have started dispersing new loans due to a reduction in fees (Faulu) (from 900 KSh to 500 KSh in the case of Faulu)
2. Financial institutions are earning more as the number of people taking out loans has increased – in part due to the reduction in service fee
3. The Ministries have received emergency funds from the Ministry of Gender, Sports, Culture and Social Services. These funds – 3 million KSh – are for women and come from the 1 billion put aside for women's groups. This 1 billion was decided before the

crisis. The funds have been converted and are now allocated for the crisis affected people.
    - The 3 million will be divided between Endebess, Saboti and Chereng'ani division and then will be allocated to households affected by the PEV in the form of micro-credit loans at lower rates of interest.
    - However, it is not clear how this will relate to the household level and how much will be give to the households

<u>In addition, it should be noted that:</u>
It was probably a coincidence that

- The Banking and Micro Finance Acts were introduced at the end of December and early January
- Interest rates dropped in January and not due to the violence but due to the intra-bank competition

Negative impact

- Higher rates of loan default rates across institutions from less than 5% (normal scenario) and now this has risen to 20% (In January and February). This is due to the violence. Financial institutions are saying that this default rate is decreasing now back to slightly higher normal rates (5-10%). This rate is expected to return to normal in the next months.
- Depletion of household savings accounts. Normally households did not use their savings accounts. Since the PEV, households have accessed these funds. The use of these funds could affect the amount borrowed in the future. However, the lending institutions have said that they would look at the repayment and savings record of the household prior to PEV as evidence of whether or not they are a good customer.

(SEE MARKET MAP INDICATING IMPACT CHANGES IN ANNEX 2)

Step 10: How well are market actors coping and responding to the crisis?

Q: What have traders or other market actors done to cope or respond to the impacts experienced above

All lending institutions have been communicating with their clients via their monitoring officers who have visited the clients directly – either in the camp or in the affected areas.
Some lending institutions have been reassuring them:

(a) Repayment of loan – that it can be extended
(b) Reduction of joining fees
(c) Some loans have been written off based on the photographic / police evidence that assets have been lost to fire – as part of insurance claims
(d) That loans can be frozen without interest being added until repayment begins
(e) That additional loans can be taken out

Clients have also been visiting the offices regularly to access more information and to reassure the lending institution that they will repay the loan when they can

Lending institutions have said there is a lesson learned in this – they are going to look into insuring against conflict.

Step 11: How have competitiveness or integration with other markets been affected?

Q: To what extent has the crisis and its outcomes undermined competition in the market system
- No effect at all. In fact they all report healthy competition and the need to keep their rates competitive

Q: To what extent has the crisis and its outcomes reduced integration with neighbouring markets

No effect

Step 12: What is the net impact on access, prices and quantities now being traded?

Q: What has happened to quantities available and supplied since the crisis began?
The location of the impact was in a relatively small area in which comparatively smaller loans had been provided. Therefore the net impact of the PEV on this sector has been minimal in terms of (a) quantities available and (b) amounts supplied

Q: What has happened to prices – at key points in the market system 'value chain' – since the crisis began?
- If anything interest rates have dropped
- The size of loan taken out is not as large as it used to be
- Due to the drop in interest rates and joining fee, the number of new customers has increased

Q: How do prices compare to a normal year? To import parity prices? What is the trend?[3]
- Interest rates are lower compared to this time last year

Q: Highlight any obvious bottlenecks in the market system that are indicated by this or other evidence
The only obvious bottlenecks are (a) between the customer and the lending institution and also the (b) between the group members

Step 13 – Gap between market availability and urgent needs of target groups

Q: What, in aggregate, are the priority needs of the population in target livelihood groups? E.g. if they had adequate purchasing power, what quantities would be demanded?
See Table 15

Q: How does this potential demand compare to a normal year situation (in terms of quantities supplied or other factors, such as access for different groups)?
There is little difference in the total quantities demanded, as it is common for households to take out loans of 20-50,000 KSh a year. The main difference is that there are loans pending in addition to the potential new ones that would be taken.

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3 This is the point at which price monitoring needs to begin (see Annex)

Steps 14 & 15: Market Diagnosis

Deciding how this market system will or would probably respond to changes in effective demand (e.g. induced by cash interventions) or to other ongoing impacts of the crisis

Key Analytical Questions

14 What other factors are likely to affect different groups access to this market system and their preferences for cash vs in-kind help
(e.g. gender roles, distance from trading posts, social or ethnic obstacles)

15 To what extent is the current market system capable of responding well to the potential demand or supply i.e. without unacceptable price changes

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Step 14 – Diagnosis of other factors affecting access

Q: How have different livelihood groups' physical access to the market system been affected?

No – there are no physical barriers. In addition the lending institutions go to the livelihood groups/ customers

Q: What other factors affect are likely to affect different groups access to this market system (e.g. gender roles, distance from trading posts, social or ethnic obstacles)

- There is a strong culture of savings and the use of lending institutions in the area
- There could be some tribal tensions – some tribal groups may not be in a position to access financial services in certain areas
- Pre PEV groups were made up of varying tribes – there could be some difficulties in the re-organisation of the groups and their functioning.
- Women tend to be the target group for many financial institutions – based on the fact that (a) women tend to invest profit in their children (b) women take out more realistic loans (c) women do not default as much as men

Q: Do target groups have strong preferences for the type of assistance they receive (e.g. cash-based or in-kind assistance), and why? Describe any critical issues of accessibility that need to be factored into the analysis of the situation.

- Target groups have voiced a strong preference for cash based support to start up/ recover their activities
- Community leaders recommend the use of existing lending institutions as a vehicle of financial support to (a) ensure appropriate monitoring (b) ensure appropriate use of asset transfers (c) ensure appropriate training and support to the target groups
- Financial institutions would also prefer the asset transfer to be provided through their services as (a) this would not undermine the culture of savings and loan provision in the area (b) the asset transfers would complement existing activities and PEV support policies and mechanisms being put into place and (c) the asset transfer could be linked to the households/ groups existing loan and savings

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Step 15 – To what extent is the current market system capable of responding to the potential demand i.e. without unacceptable price rises

Q: To what extent does the market system have the physical / infrastructural capacity to respond to higher demand or changes in availability? (What are the limits of this response?)

The market has a high capacity to respond to higher demand

Q: Is the market system adequately integrated with other markets / sources of supply to ensure availability of goods?
Yes

Q: Are there major bottlenecks or failings in the market system (including policy failings, and service gaps) that could constrain a supply response?
Supply is available
Access is an issue in certain areas where recent tribal tensions could affect group dynamics (their organisation, function etc) and monitor officer's access to clients in insecure areas

Q: Are there significant extra costs or risks that market actors / traders will incur to increase supply
No

Q: Is there sufficient competition to ensure a few actors can not restrict supply to artificially drive up prices?
Yes

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Table 6: Needs and Anticipated Supply Response

Location	**Size of Affected Population** 30 members per group average	**Pre-crisis/ Typical Demand** Average 30,000 KSh/h/h	**Post crisis (Potential Demand)** KSh/ year Average 50,000 KSh/ h/h	**Estimated Market Response*** KSh/ year	**Key factors affecting availability and access to markets**
Kimondo	10 groups - 300	**9,000,000**	**15,000,000**	**9,000,000**	Accessibility to loans is not a problem if you are economically active in a group (the group would guarantee the loan – checking asset ownership that could be sold should repayment fail) Accessibility is also easier for those that have had loans in the past and a good savings record Existing loans need to be considered as households will be repaying old loans as this would plunge people further into debt
Endebess	10 groups - 300	9,000,000	15,000,000	9,000,000	
Salama	12 groups - 360	10,800,000	18,000,000	10,800,000	
Total	960 group members	28,800,000 US$ 480,000	48,000,000 US$ 800,000	28,800,000 US$ 480,000	

Conclusion of Part B – The Market system

Based on the information collected and discussions held with key informants the following intervention is proposed.

Overview:

- The market system itself is responding and does not require assistance
- There is a need to address the link between poorer clients (lower wealth groups) and the financial institution to ensure their access to new loans as well as their ability to repay existing loans
- Therefore, poor small scale farming households would benefit from a grant of approx 20,000 KSh (US$333) to enable their re-engagement in small businesses

Objective of intervention:
Provision of grants via micro-finance institutions to stimulate the small business activities of small-scale farmers in the Endebess area of Kwanza District

Target Group:
Poor small-scale farmers affected by the Post Election Violence (IDPs and non-IDPs) who would be crippled/ pushed into deeper poverty due to (a) repayment of old loan and (b) repayment of a new loan if taken

Table 7: Proposed interventions to small scale farmers in Endebess

Intervention	Target Group	Comments
Cash for Work (CfW)	- Poor small scale PEV affected IDPs & non-IDPs who would be crippled/ pushed into deeper poverty due to (a) repayment of old loan and (b) repayment of a new loan if taken	- CfW to be provided until resettlement and income generation (need to look at seasonal needs) for those that can work – measures will be put in place for those that are unable to work (either grants or something else) - This would be a short term response
Cash Grants for activity re-start & asset purchase. **Approx average of 20,000 KSh/ h/h will be provided to households**	- Poor group members who have not received Govt “debt/ loan relief” and non group member households - MFI as they will be used to (a) identify grant households and (b) channel the loans and (c) provide business support and monitor loan use	- Small grant to be provided once resettled to assist with the repayment of old loan / restart new (this would be available to IDPs and non-IDPs). This would be provided through the MFI working in the areas. - Interest would not be paid on the grants provided – just on the amount borrowed - This could also be done using vouchers for certain items such as cows (would depend on the asset being purchased, the number of assets of this type and also the preference of the target group). - Some flexibility will be provided to IDPs who are able to restart activities whilst still living in IDP camps
Advocacy and awareness raising of policies (Govt and Micro-finance Institutions)	- All affected households - Micro Finance Institutions, - NGOs and Govt	- Advocacy and awareness raising to ensure households/ groups and non-group members are aware of policies and rights and opportunities available Examples:

		- Advocate at Govt level for asset loss compensation payment & investigate insurance payments. - Advocate for NGOs & civil society to be involved in monitoring of Govt compensation payments

Note: Alternative interventions for the poorest of the poor – who have not taken loans would be addressed in a separate intervention

Modality – the methodology that would be used

- Participatory approach to identify the poorest of poor. This would best done by getting the MFI, the target group representatives, NGO and the local Govt representative (from the District Steering Group) to form a committee to identify (a) the beneficiaries, and (b) the amount that would be received per household and (c) the level of community sensitisation and additional business support training needed. I.e.: "…let the people of the land decide what the solution is…"
- Intervention plans should be shared with the Govt (District Steering Group) from an early stage
- Ideally the NGO should take a low profile, facilitating the process and advocating for Govt and Financial Institutions to take the more active role.

Potential difficulties

- The identification of poor households may be a challenge and could lead to an increase in intra tribal and household tensions. It is recommended that this is tackled by community representatives and local Govt as well as group members
- Monitoring of the grant recipient households by the MFIs of cash use could assist in ensuring that households use the cash for intended purposes. The potential for cash misuse would also be reduced by providing the right amount required at the right time and allowing for the cost of living in the grant provided (until such a time that the household is in a position to meet their own needs).
- There is a slight risk of distributing cash in the conflict areas – and also the fact that this could result in additional conflict