POLICY BRIEF

MAKING DEVOLUTION WORK FOR LIVESTOCK TRADING IN NORTHERN KENYA

Abstract

KEY HIGHLIGHTS

- Devolution has improved administrative state functions at the county levels in northern Kenya.
- In 2018/2019 FY, counties in northern Kenya received an annual budget of over Kshs. 50 Billion, with Garissa receiving an allocation of Kshs. 7 billion,
- In 2018, the World Bank through The North and North-Eastern Development Initiative (NEDI), invested US$2 Billion in the counties in northern Kenya,
- The annual cattle revenue collected at Garissa market in 2018 exceeded US$500,000, without including the formal taxation of goats, sheep, and camels,
- Limited skilled officials is slowing the positive impact of devolution to the counties in northern Kenya,
- Overreliance on brokers and wrong time of sales are poor marketing strategies that attract losses within pastoralists' economies in northern Kenya, are the major causes of economic risks/losses.

The devolution of administrative functions to counties has improved service delivery within the pastoral economies of northern Kenya. This paper takes stock of the impacts of the recent devolution in Kenya on livestock trading in Kenya's northern counties (mainly Garissa, Wajir, Marsabit, Turkana, Mandera), and across the border with Somalia and Ethiopia.

Evidently, data on stock routes, primarily based on water and fodder availability in the dry seasons, is not yet available. This limits our understanding of trade corridors and an appropriate appraisal of mechanisms towards the establishment of disease monitoring corridors. Investment priorities concerning livestock trade need to focus on improving household incomes, food security, and employment to strengthen livelihood resilience. Notably, brokers have excluded traders from daily market operations in northern Kenya although they play a key role that makes them relevant in taxation, and accountability. Since doing away with brokers is a challenge, the licensing of brokers and co-management of markets, using the support of Livestock Market Associations[1], are proposed to improve market accountability.

The paper focuses on the impacts of devolution on livestock trading, with regards to how devolution affected traders and trading practices; taxation practices and county revenues; transport and mobility patterns; county management of livestock markets and animal health and veterinary services. Besides, the paper highlights livestock infrastructures, including markets, slaughterhouses, and roads.

This policy paper focus is on three key areas of discussion; (i) policies, structures, and institutions, (ii) investments, financing and infrastructure for livestock trade, (iii) data, research and knowledge gaps in

[1] (ILRI, 2017. Assessment of Livestock Marketing Associations in Arid and Semi-Arid Lands in northern Kenya. International Livestock Research Institute – Nairobi, Kenya.)

livestock trade. First, the paper continues with a thematic section on devolution of power and state functions and its implication to livelihoods in the pastoral economies of northern Kenya.

Devolution and pastoral economy in northern Kenya

Kenya's constitution introduced devolution in 2010, with key administrative tasks transferred to the counties headed by elected county governors. Devolution aims to bring services and decision making closer to the people, especially historically marginalized communities.[2] County governments need to enhance accountability and quality of public service administration that reduces corruption at the county level. Much has been written about how devolution affects local and national politics, policy-making, infrastructure, corruption and service delivery.[3] But there is a need to better understand how it affects key livelihoods such as livestock trading in northern Kenya's Arid and Semi-Arid Lands (ASAL), where livestock production and marketing are the primary sources of pastoralist livelihoods.

The devolution of power and resources in Kenya has had a significant impact on administrative functions and sectoral development at the county levels. Devolution has influenced growth and development in the livestock sector by stimulating increased investment in domestic and national export, which in turn has increased its contribution to livelihoods and state revenues at the county levels. However, Northern Kenya Counties invest insignificant amount of the total county allocation. For example, Garissa invests between 3-5% of the 7 billion received annually on livestock related activities (Disease controls, markets and capacity building of pastoral communities).[4]

On the downside, the establishment of county borders has restricted the mobility of livestock and access to grazing areas. The critical driver is the increasing land value as a result of devolution. One aspect is the conversion of communal land to a private land and further land fragmentation and commercialization, which reduces land quality. Pastoral communities prefer large parcels of land where free range grazing is possible although the rangeland carrying capacity/productivity has declined due to widespread land degradation.

(Source; Little, 2019).

Pastoralist communities are integrated into global supply chains through livestock production and national and international marketing systems. In the Somalia-Kenya trading corridor, each animal crossing into the Kenyan side is taxed two or three times while heading to terminal markets. The livestock supply for domestic consumption and export, through the ports and cities, relies on domestic production as well as imports. Presently, about 60% of the livestock in northern Kenya comes from cross-border trade between Kenya and Somalia or Ethiopia, with 30% accounting for the consumption in Nairobi[5].

[2] Steve's, J. (2015). Devolution in Kenya: Derailed or on track? *Commonwealth & Comparative Politics*, *53*(4), 457–474.

[3] For example, D'Arcy, M., & Cornell, A. (2016). Devolution and corruption in Kenya: Everyone's turn to eat? *African Affairs*, *115*(459), 246–273.)

[4] Head of the Department of Agriculture, Livestock and Co-operatives, Garissa stakeholders feed-backing workshop, 11 June 2019,

[5] Ng'asike, 2019: Fusing formal and informal trading: Emerging practices in the livestock value chains between Kenya and Somalia: DIIS Working Paper 2019:12, Copenhagen).

The long borderline of Kenya with Somalia, Ethiopia, Uganda and Tanzania with few custom checks, makes the formalization of cross-border livestock trade difficult.

The devolution of administrative functions to counties has improved the governance of the pastoral economy. Although trade permits, veterinary services, security, revenue collection, and livestock recording are now devolved functions, inadequate capacity building of County (state) officials is a serious bottleneck. In addition, counties in northern Kenya (including Garissa, Marsabit, Isiolo, Wajir, Turkana) have increased budgets for investment in the livestock sector, mostly by investing in slaughterhouses and market structures. Garissa and Turkana counties have invested over US$ 2.5 Million since 2013 in sale-yards and fattening grounds. However, herders are yet to benefit from these investments, while continuing to face increased restrictions along county borders leading to frequent conflicts around grazing areas. The enactment of the Community Land Act 2016 is expected to address current land issues relating to rangeland management and fragmentation.[6] The weak enforcement of animal welfare, and Sanitary and Phytosanitary (SPS) measures/standards in devolution undermines the integrity of livestock production, logistics, and marketing. National policies may not apply to all the counties; hence local governments are allowed to formulate their policies in line with the national policies.

The porous border and devolution funds have increased cash circulation in the Kenyan border counties. The Garissa annual cattle sales went up from USD 85,000 in the 1990s to USD 135,000 by 2015 and then leveled off. The county government collects about USD 60,000 per month from cattle without factoring the formal taxation of goats, sheep, and camels,[7] but not declared by the county government. The increased resource mobilization is a result of the new mobile financial system (Safaricom *Mpesa system*), improved transport system through easy access to motorcycles, and hired motor vehicles, which have improved the efficiency of livestock trading. For example, growth in petty trade has enabled women to (i) dominate small and medium enterprises, including associations of milk and cloth vendors in Garissa market, and (ii) motivated the World Bank to improve market facilities and market stalls.

Wealthy traders from northern Kenya have gained access to grazing ranches and abattoir units at the coast of Kenya through shareholding, leasehold, and informal agreements. Some of the producers continue to grow herds with less intentions to sell, and sometimes sell at wrong times, using the poor strategies of brokerage, rather than relying on formal marketing procedures. Brokers are considered unofficial by the Garissa County government; however, producers trust them to manage transactions. Another poor marketing strategy is the wrong time of sales, where producers' intention to sell is informed by domestic problems rather than profit.

Insecurity, has become an exclusion factor in the sourcing of livestock in northern Kenya. Since the rise of Al Shabaab, and increased insecurity in northern Kenya, traders from Nairobi, mostly non-Somali have changed their marketing strategies. Unlike before, they rely on local connections to facilitate procurement of livestock from within Garissa and across the border in southern Somalia. There is an increased forging of social business relations between the upstream and down-stream actors of the supply chain to enable traders manage risks of exclusion in line with insecurity and ethnicity, or clannism and brokerage. The insecurity has increased opportunities for the Somali traders operating from the source markets at the borders. Fear and threats by Al Shabaab have increased cooperation among traders in Nairobi and those in

[6] Community Land Act, 27 of 2016. Laws of Kenya. The Republic of Kenya

[7] Ng'asike O. Philemon (2019); Field notes, Garissa Livestock Market. Ph.D. research.

the border areas of Garissa County and other parts of north-eastern Kenya. Somali youth at the border help Kikuyu traders in procuring animals from the insecure southern Somalia. Trekkers in the border areas have gone beyond forging social relations to pulling representation from different clans to negotiate taxes and passing Al Shabaab barriers, that are unpredictable among villages and grazing routes. Informal credits facilitated by trust have made business possible even under cashless situations and especially when the national government has not released county allocations or when insecurity has scared investors from central Kenya from visiting north-eastern Kenya. Despite these border related institutional challenges, the national government is concerned with increased foreign exchange while county governments are empowering the local border economy.

Policies, structures, and institutions

Growth in the Kenyan livestock sector has attracted major legal reforms. The National Livestock Bill enacted in 2008 was replaced with the Livestock and Livestock Products Marketing Board Bill 2019 that aims to establish a National Livestock Marketing Board. Most counties have already come up with livestock trade and marketing bills. Wajir and Isiolo Legislative Assemblies, for example, have formulated bills that are undergoing reviews to regulate livestock trading and marketing. However, there is a widespread concern that counties lack the requisite technical capacity and labour/manpower to implement policies. The risk of politicization of staff appointments aggravates the problem. One key failure is that devolution led to the disintegration of national extension services, and counties are not putting effort to revitalize the devolved extension services. Moreover, producers and small-scale traders have lacked state protection against predatory livestock brokers.

Since devolution, taxation of livestock and access to permits has become more expensive for traders. Even though access to permits is now easy, costs have increased than before, and multiple taxation when crossing county borders is now common. However, devolution has also increased access and availability of Agro-Vet shops, veterinary services, and better livestock recording. The county governments in northern Kenya are working on peacebuilding initiatives to create an enabling environment for the establishment of inter-county transboundary disease controls and livestock marketing. County leaders have also promoted various private-public partnerships that have enabled business groups and associations to access to credit services.

Devolution has also led to the formation of regional economic blocks that bring together several counties with common problems and interest in the drylands of Kenya. In 2014, Governors heading counties in northern Kenya formed the Frontier Counties Development Council (FCDC). The FCDC endeavors to support the harmonization of taxes and regulation of revenue generation among northern Kenya counties. The FCDC is spearheading inter-county related policies to bring harmony in the governance of resources, markets, and improve conflict resolution and management mechanisms. The hotspot conflict borders are between Isiolo and Garissa, Turkana and Samburu, Marsabit and Isiolo, Tana-River and Garissa, Meru and Isiolo, among others. The Northern Rangeland Trust Strategic Plan (2018-2022) is focusing on reducing conflict related to the dryland resources by improving grazing management, rangeland governance, research, and monitoring. In line with the regional integration agenda, aligning county policies with the national planning has been complicated by changes in political leadership where existing policy drafts are rendered invalid once new county political leadership is elected every five years. The agreements between the Somali camel association and the Tana River range management has suffered from such political changes, resulting in community hostilities and shooting and the poisoning of camels.

Investments, financing and infrastructure for livestock trade

Counties in northern Kenya have been relying on baseline studies that do not regularly inform most investment decisions in the counties. Results from such studies are subject to political interests, visual shows, while others signify logic for local representation. An example is the Kenya Meat Commission (KMC) and its politics at the national level, which has exposed it to repeated mismanagement. Since 2013, the KMC has gradually lost monopoly as a buyer of last resort, due to competition from local private abattoirs such as Dagoreti or Njiru in Nairobi. As a state-managed facility, the KMC's role in livestock offtake during drought is not clear once the plan of co-management of KMC between state and private investors is fully implemented. Wealthy traders are taking advantage of devolution resources to push for complete ownership and control of KMC.[8]

The national government, through the State Department of Livestock, has a plan to invest in disease-free zones.[9] The move is expected to improve disease monitoring and surveillance that cover both trans-county and trans-border disease controls. There was a major outbreak of Rift Valley Fever (RVF) reported in Wajir 2018-2019. The export markets in the Middle East are very keen on disease alerts in the Horn of Africa, especially in northern Kenya, and the ban on livestock trade has often undermined domestic export capacity.

Traders operating in the terminal markets of Nairobi and Mombasa are complaining about a lack of state regulation on cross-border supply, which undermines their investment options. For example, traders from Tanzania, Somalia, and Ethiopia have gained access to the Kenyan market through intermediaries. In seasons of high production, increased supply and convergence of animals to terminal markets in Nairobi causes the prices at the end markets to drop, making traders get into losses. However, counties in northern Kenya have allocated money to establish slaughterhouses, but many of these are incomplete. Other investors are hesitant to invest in an incomplete project (abattoirs) due to integrity and who should have a final authority over the facilities. It is recommended that the government and NGOs invest and complete such projects, which are cost-effective compared to starting a new project. Moreover, the design of the Index-based Livestock Insurance (IBLI) system that was established with the support of the County government to protect producers should be improved to become a safety-net, rather than a commercialized enterprise. Farmers and livestock producers do not follow the regulations. This has attracted losses to the insurance system as traders fail to remit contributions to the insurance account.

Incomplete abattoirs in northern Kenya, for example in Garissa where the construction/completion of the abbatoir has stalled – is attracting criticism to County governments, especially on the governance of county resources. The national government in partnership with development partners and INGOs is investing and rehabilitating market infrastructure, improving information systems, disease controls, fodder production, and drought mitigation. The World Bank invested US$2 billion through The North and North-Eastern Development Initiative (NEDI), with US$70 million allocated to the Regional Pastoral Livelihood Resilience Project (RPLRP) from 2018 to improve pastoral livelihoods in northern Kenya.

---

[8] Interview, Director, State Department of Livestock, at Garissa Workshop, October 2019, on leasing of KMC to interested party.
[9] (Ibid.).

County governments for their part are striving to optimize revenue collection with less focus on improving key market utilities.

Data, research and knowledge gaps for livestock trade

Most counties in northern Kenya lack reliable data systems to provide targeted information for traders and producers. The data collected at local levels is generally expected to represent the needs and business behavior of specific counties. Counties are striving to improve their capacity for data collection, monitoring, and regulation of livestock supply by allocating revenues and out-sourcing skilled labour. There is a need to identify and list all the administrative units and services at county level that play a role in livestock production and trading (from livestock to security, to taxation at market places). Pastoral economic data and information systems will improve the timing of sales and enable traders to achieve better returns. The absence of data on prices and livestock supply has limited the focus of the national governments on the control and coordination of livestock markets and supply. Furthermore, data on stock routes, primarily based on water and fodder availability in the dry seasons, are not yet mapped. This limits our understanding of trade corridors and curtails appropriate appraisal mechanisms towards the establishment of disease monitoring corridors.

Investing in digitization will improve the efficiency of service delivery, minimize data manipulation, and increase precision. Through digitization, trade permits can be made electronically to improve decision making on business plans. Information on fodder availability is essential for the traders as their animals are headed for slaughter. Information on market dynamics could guide coordination between national and county governments, and other stakeholders, on how to develop policies to manage the proliferation of intermediaries who exploit traders and gain more advantage over the producers. Information on animal health, prices, transport mechanism, and markets is vital for policy development on livestock production and marketing. Local governments in northern Kenya are demanding research studies to be extended to cover all the counties instead of Garissa, Isiolo, and Marsabit.

Policy Recommendations

i. County assemblies need to pass bills to protect the peace and business agreements with other counties from political interference that come with new leadership,
ii. County governments should partner with universities and research institutions to co-create knowledge through research and dissemination,
iii. County governments need to create systems to detect and respond to rapid outbreaks of zoonotic diseases such as Rift-Valley fever to protect livestock markets,
iv. There is a need to regulate the role of brokers in livestock trading and explore ways of involving them in co-management of livestock markets to guide economic practices and improve market accountability,
v. Counties to invest in a livestock production and trade database for publications that inform the sustainability and resilience of producers and traders,
vi. Data on stock-routes should developed to inform establishment of disease free zones and channels of livestock certification.
vii. Pastoralists need capacity building instead of expecting financial handouts with investing in improved and sustainable livestock production practices

Acknowledgment

This briefing paper was authored by **Philemon O. Ngasike**. It summarizes key findings produced during a stakeholder workshop entitled ‘Devolution and its Impacts on Livestock Trade in Northern Kenya’ held in Nairobi on 29 October 2019. The workshop was attended by county, national and international policy-makers and practitioners. It was organized by GOVSEA (Governing Economic Hubs and Flows in Somali East Africa), a collaborative research project involving the African Drylands Institute for Sustainability at the University of Nairobi, the Forum for Social Studies, Roskilde University and the Danish Institute for International Studies. Funding was provided by Danida under the Danish Consultative Research Committee for Development Research (FFU).