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RESI Market Study Summary Report

A presentation to: UNHCR-ILO Stakeholders Forum
Trademark Hotel, Nairobi
Presenter: Richard Wahiu
Date: 24. 04. 2019

Presentation Outline

- Introduction & Study Methodology
- County Background
- Demographic characteristics of the population
- Economic and Investment environment
- Investment Partnerships
- Key Value chains
- Refugee Policy Framework
- Key Constraints
- Conclusions and Recommendations

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Introduction

The study was commissioned by ITC and NRC to support the Refugee Employment and Skills Initiative (RESI) project in Garissa County

Study Purpose:

- Assess Policy and Regulatory Environment
- Assess Actors and Stakeholder in the ecosystem
- Conduct Sector and Value Chain Analysis
- Identify and recommend economic/business opportunities in Garissa County

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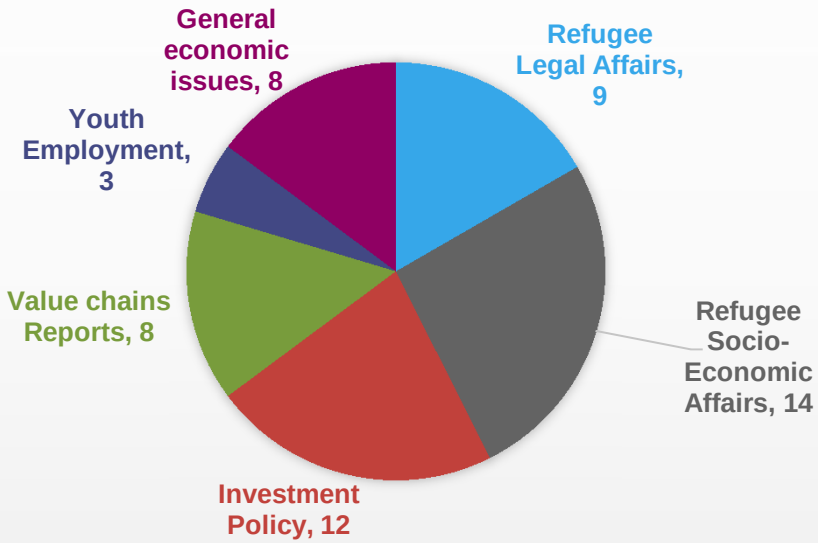
Methodology

Secondary Research:

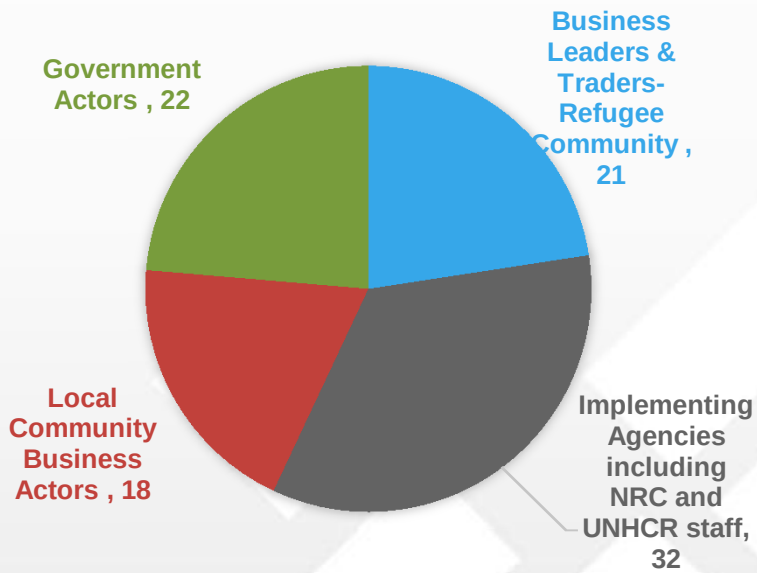
- Systematic Literature Review- 54 reports and documents reviewed



- RESI project, NRC and UNHCR documents reviewed

Qualitative Research:

- 15 Focus Group Discussions with host and refugee communities
- 93 Key Informants Interviews



- Observations and site visits in Dadaab refugee camps and host communities

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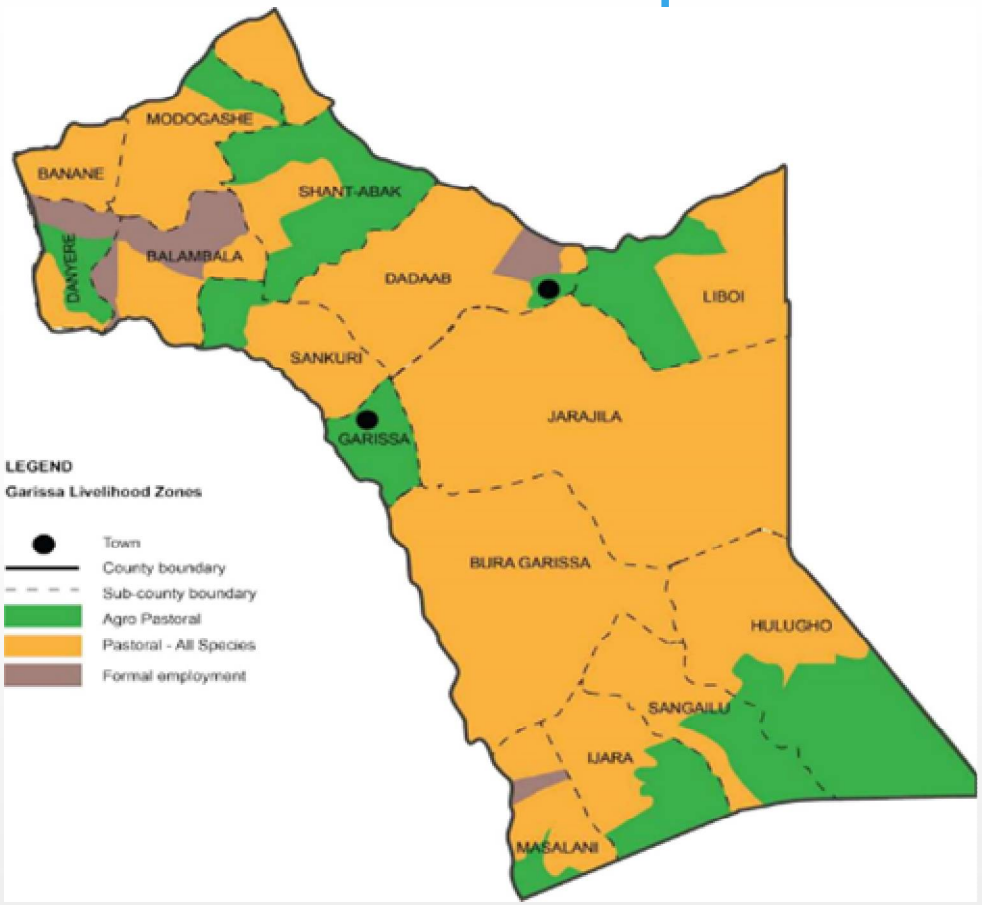
Garissa County

Devolved development units



Sub-Counties	Constituencies
Fafi,	Fafi,
Garissa,	Garissa Township
Ijara,	Ijara,
Lagdera	Lagdera
Balambala,	Balambala,
Dadaab	Dadaab
Hulugho	

- Politics in the county is largely clan based
- Refugees have no political rights and representation
- Access to production assets influenced by socio-political issues

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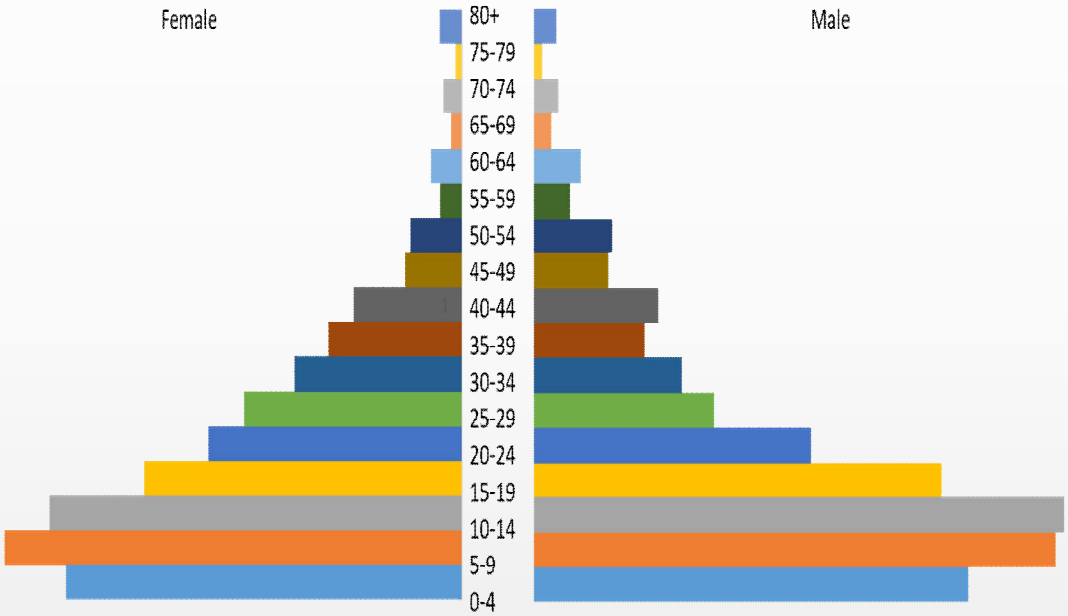
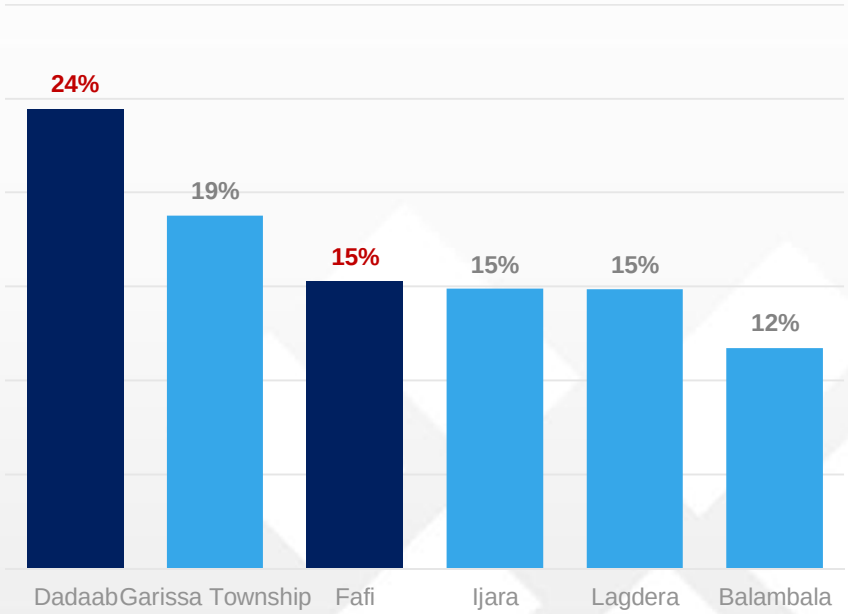
Host Community Population

51% of the 884,745 population aged 0-34 years

40% of the host communities within Dadaab & Fafi





- High demand for education, health care, vocational training and jobs
- Socio-economic & political interlinkages with refugees in the Dadaab refugee camps

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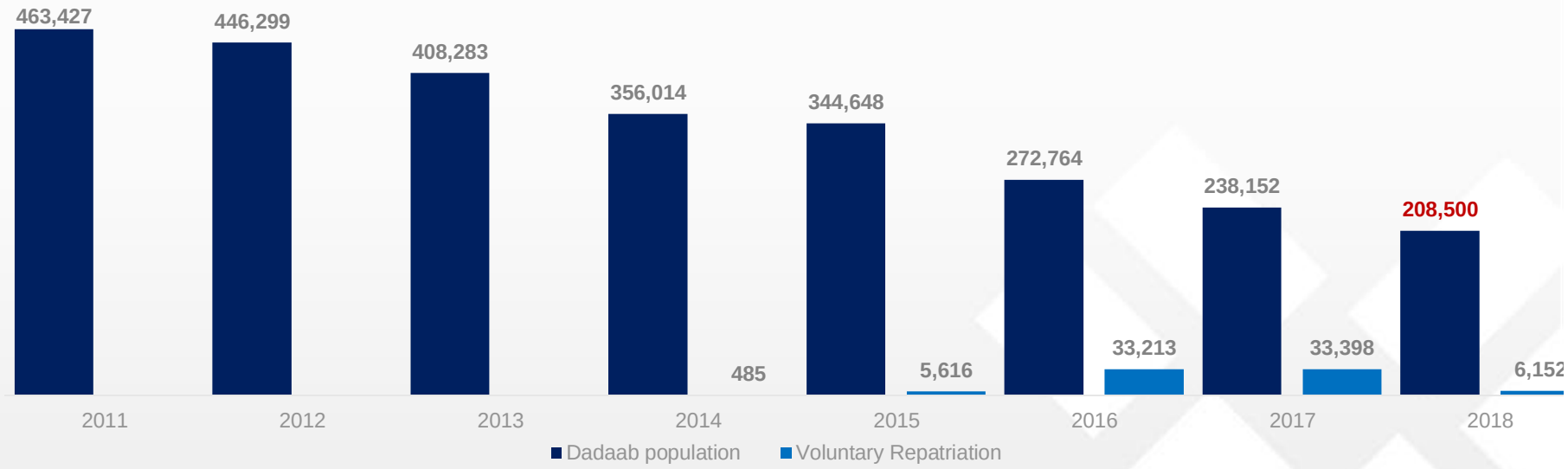
Refugee Population in Dadaab

- **More than half the refugee population returned to Somalia**
- **Voluntary repatriation has slowed down in the past year**



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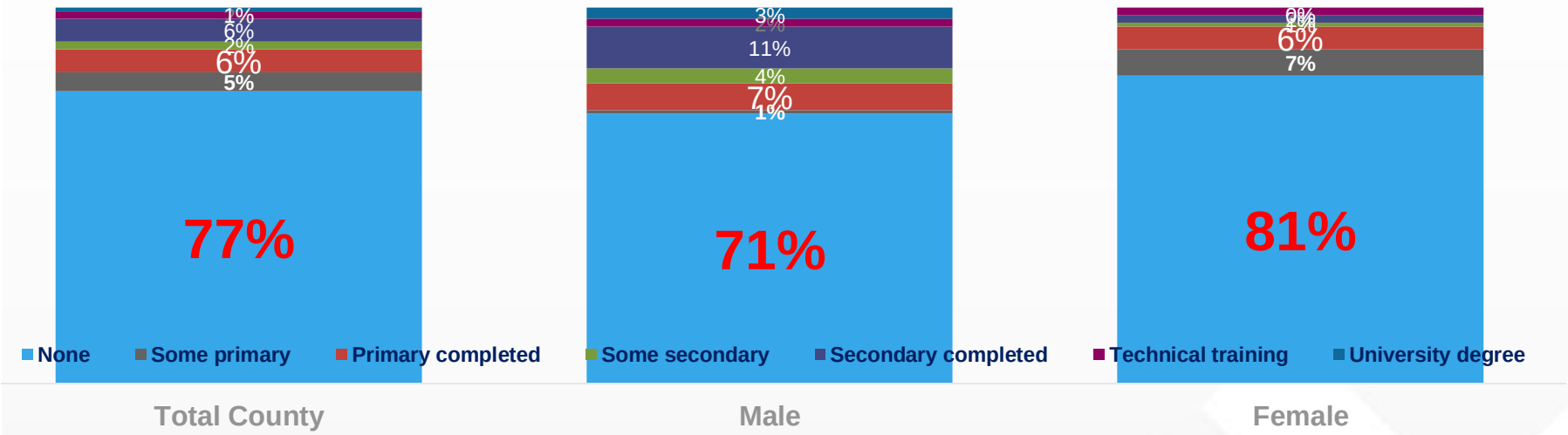
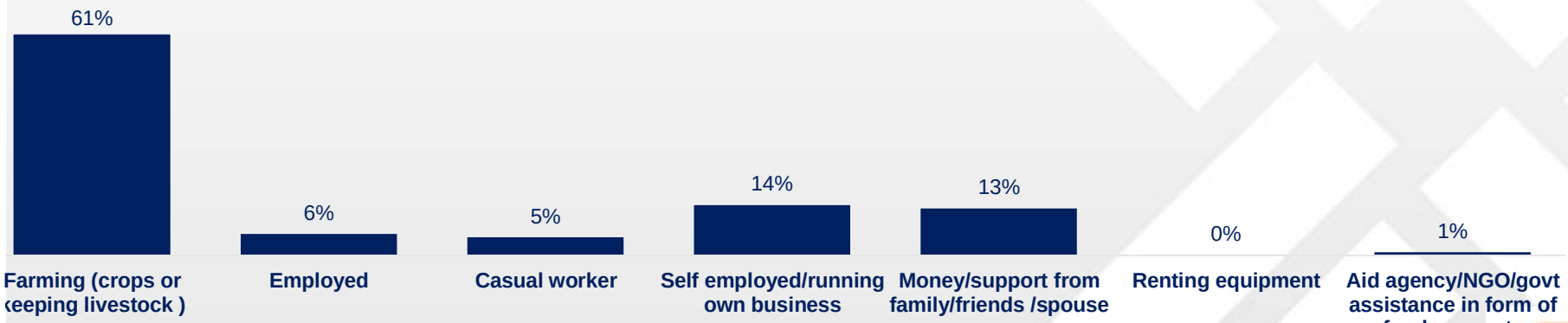
Host Communities Labour Characteristics

Low literacy levels: high drop-out & low transition rates



Few economic alternatives: majority depended on livestock



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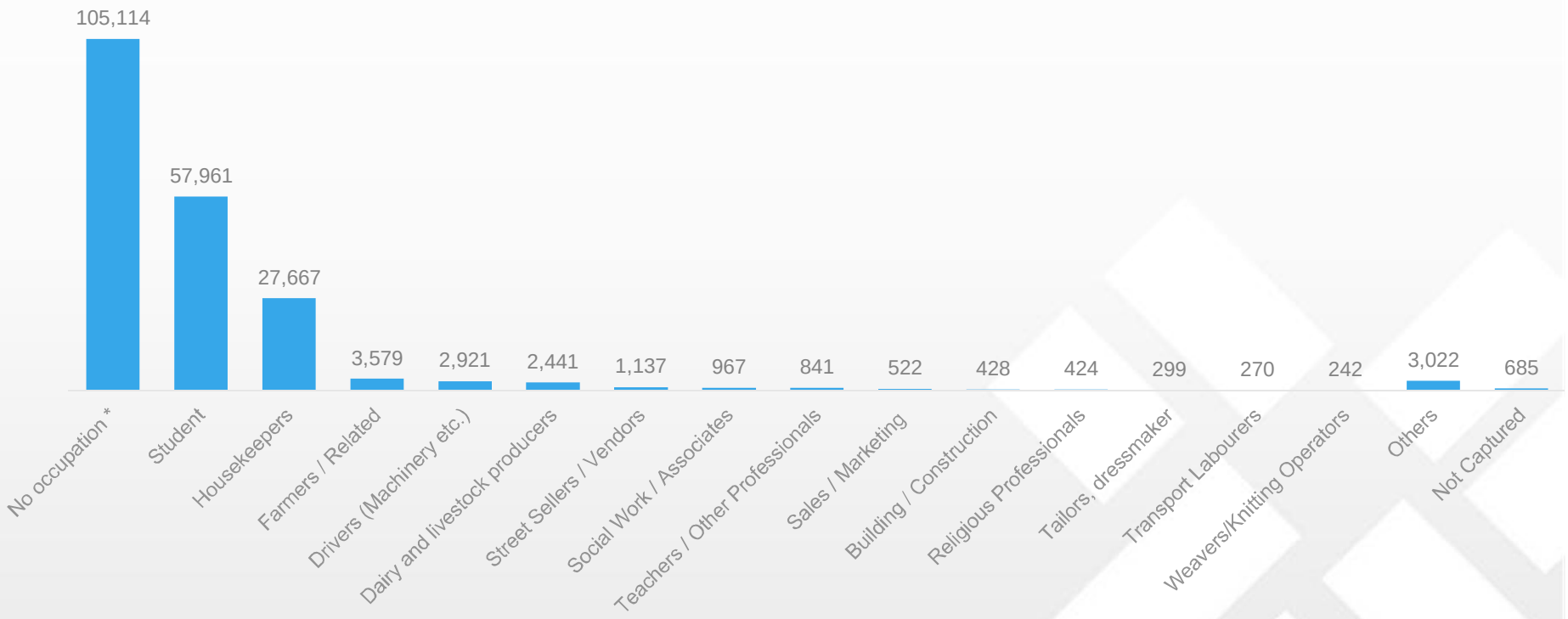
Refugees Labour Characteristics

Only 17,000: economically active



**include children below school age as well as adult who declared not having occupation*

Economic and Investment Agenda

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Economic Agenda 1/2

- CIDP 2018-2022 & Big Four Agenda guiding development initiatives
- National Big Four Agenda
  - **Increase manufacturing to 20% of GDP by 2022** through mainly **Cotton, Textile & apparels, Leather,** Agro & fish processing, construction materials, **ICT services**.
  - Others include food & nutrition security, universal health coverage & housing

  - **Garissa CIDP: US$ 1.13 billion** 5-years budget
  - 40% of the budget to fund livestock, agriculture, water and irrigation
  - Livestock and agro-processing
    - Large catchment for meat, milk and leather processing
    - Mechanised land preparation & irrigated agriculture
    - Set up of industrial parks

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Economic opportunities

National Agenda enablers

- Formation of Business Incubators & Accelerators
- Investment & regulatory environment- ease of doing business
- Legislation to stimulate water harvesting across the Country
- Industrial parks/ Special Economic Zones
- SME's Development funds-consolidation of different funds and formation of *Biashara* bank
- Market Access-grow export trade
- Standards: tighten rules of imports of finished goods & support enterprises attain standards

Garissa County Focus

- Set up common manufacturing facilities
- Milk processing plant
- Acquire land to put up industrial parks
- Construct common SME sheds
- Link to national agenda to promote large scale production, smallholder productivity, reduce the cost of food

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Garissa County Investment Support

Policy enactment to streamline investment

- The Garissa County Revolving Fund Act, 2018
  - Creates a revolving fund to finance SMEs.
  - Carters for technical support including training
  - KES 150 million in the 2018/2019 financial year
  - Targets women (50%), youth (25%) and people living with disabilities (25%)
- The Garissa County Investment and Development Authority Act, 2018
  - provides for establishment of county investment and development authority
  - promote and protect investment
  - Address public interest and balance between rights and obligations of investors
  - makes it easy to forge investment public-private partnerships
- The Garissa County Climate Change Fund Act, 2018 establishes climate finance mechanisms and facilitates planning for Climate Change Adaptation and Mitigation
- County Industrial Development Policy proposed to facilitate investment in industries
- Seeks to safeguard all businesses & regularise issuance of permits and licences
- County is registering all businesses and provide oversight to businesses.

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Key Business Licences

Key laws guiding business

- Public Finance Management Act 2012
- County Finance Act –has the following major licences
  - Annual single business permit-fee pegged on business type and size (starting from KES 500 to KES 4000 for medium business in sub-county
  - Meat inspection and transportation fees
  - Medical Examination Certificate
  - Food and Hygiene Licences
  - Agricultural & Livestock Produce Cess
- Tax Registration: - **Kenya Revenue Authority PIN**
- Value Added Tax : 16% for most processed and imported goods

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Refugee affairs legal and policy

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Highlights

- **CRRF & international law**: Kenya committed to durable solutions
- **Refugee Act 2006,** encampment & rigorous security checks, amendment required to streamline the bottlenecks-amendment didn't get presidential assent
- Refugee Act domesticates 1951 Convention Relating to the Status of Refugees
- The Security Laws (Amendment) Act and threat of terrorism
- Movement pass and stringent security surveillance
- Instability in Somalia: limits integration and contributes to insecurity in Kenya
- Refugees have limited awareness of the legal framework & business legislation
- Refugees have limited access to government projects
- Socio-cultural and political hindrances to access to economic opportunities for refugees and integration

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Investment Partnerships in Garissa

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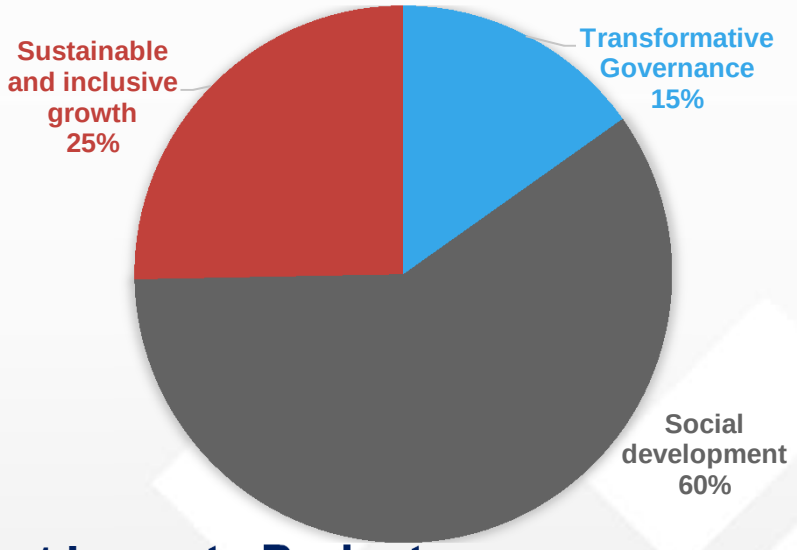
Development programs in Garissa

1. UN Development Assistance Framework (**UNDAF 2018-2022**), pegged to the political, social and economic pillars in the
   - Vision 2030
   - Medium-Term Plan III, “Big Four Agenda”
   - Sustainable Development Goals (SDGs)
- Total budget of **USD 1.9 billion**



2. **Kenya Development Response to Displacement Impacts Project**
- A World Bank and Ministry of Devolution funded project
- **10 billion shillings** funding over a 5-year period
- Garissa County funding of **KES 4 billion** to improve the infrastructure in the host and refugee communities

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Development programs in Garissa

208,633 Registered refugees & asylum seekers in Dadaab

UNHCR The UN Refugee Agency

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DRC DANISH REFUGEE COUNCIL

THE LUTHERAN WORLD FEDERATION

Relief, Reconstruction and Development Organization

FaIDA

Kenya Red Cross

INTERNATIONAL RESCUE COMMITTEE

care

peace winds JAPAN

REFUGEE CONSORTIUM OF KENYA

AGA KHAN FOUNDATION

DANIDA Danish International Development Agency

USAID FROM THE AMERICAN PEOPLE

Ministry of Foreign Affairs of the Netherlands

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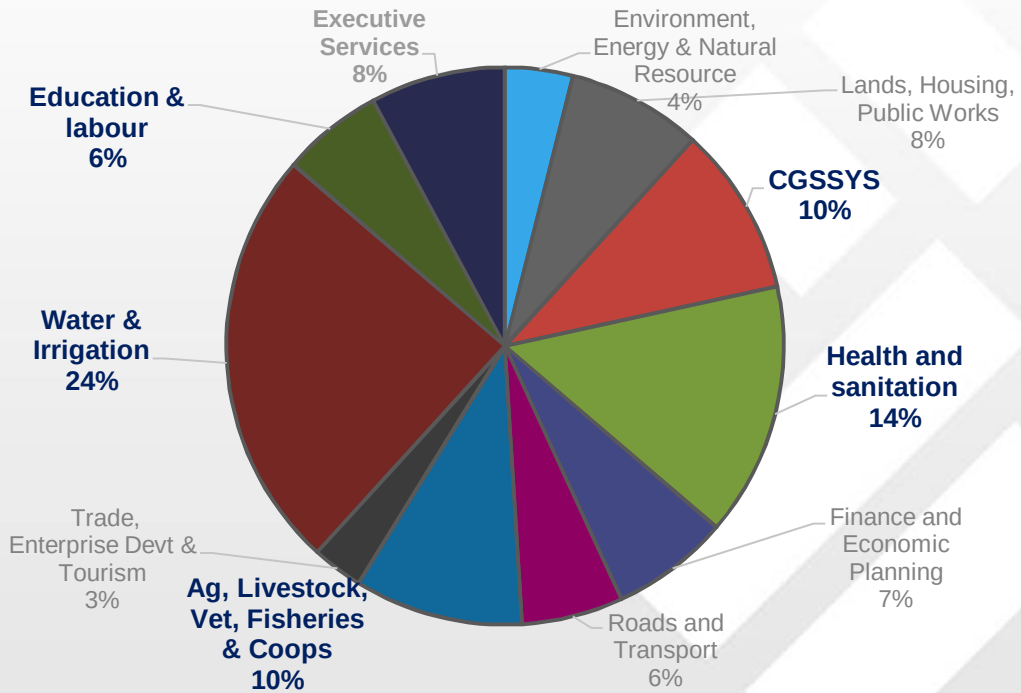
Value Chain Opportunities

Development funding in Garissa

- Garissa Government 5-year budget: **US $ 1,127,124,100**
- Funding mainly to the following sectors
  - Water and Irrigation Services
  - Agriculture, Livestock production, Veterinary Services, Fisheries & Cooperatives
  - Health and Sanitation
  - Culture, gender, social services, Libraries, youth & sports + Education and Labour services



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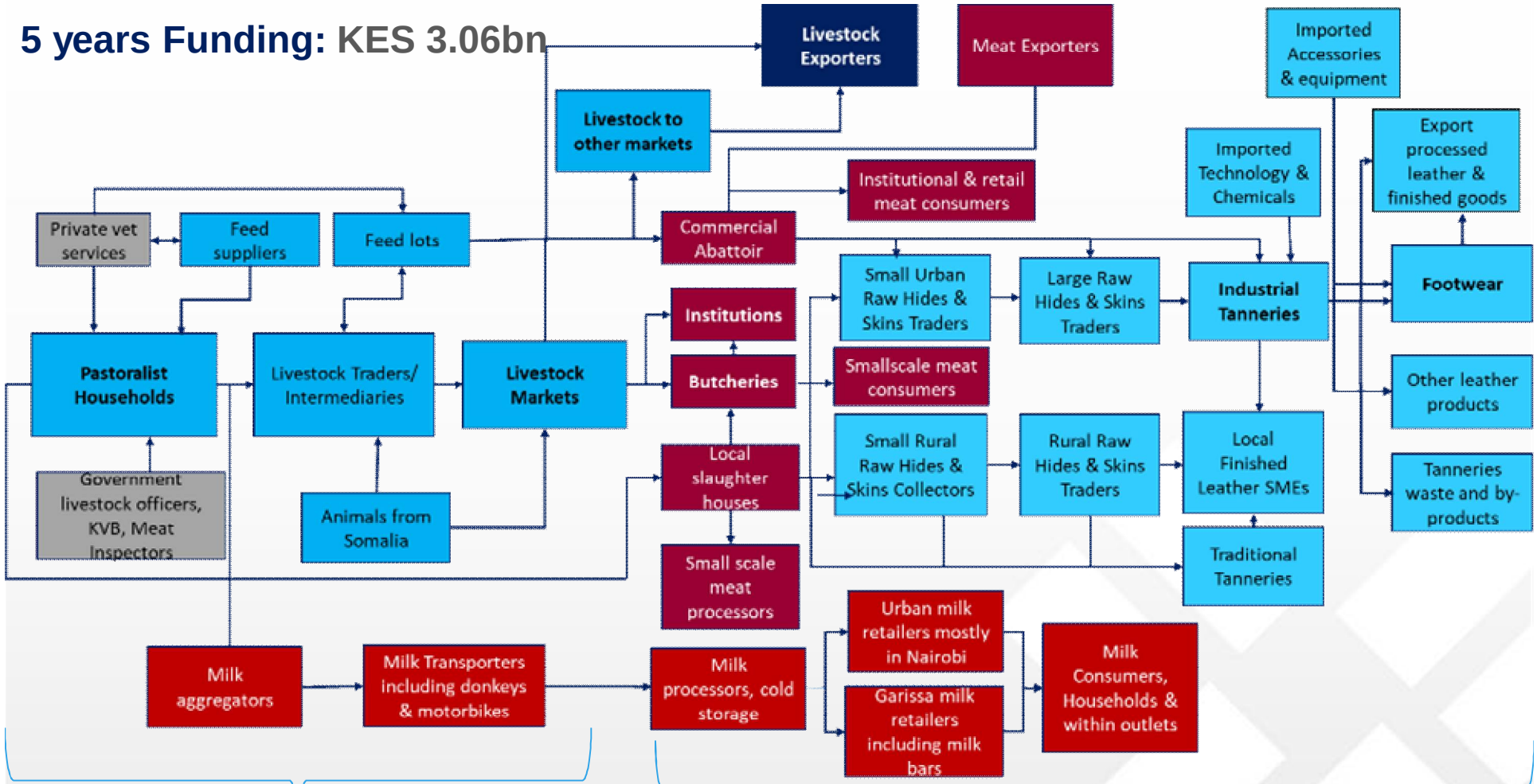
Livestock, meat, milk & leather value chains

5 years Funding: KES 3.06bn



Livestock production

Extension Services
Breeds
Disease control
Feeds and water

Livestock products trade

Market systems-infrastructure, linkages and cooperatives
Standards & Processing –cottage & large industries, Disease free zones
Export market promotion

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Leather processing

- **Main product:** wet blue raw hides and skins traded
- **Tannery:** proposed set up in Garissa
- **Leather processing:** Small scale leather enterprises in Nairobi
- **Nationally:** 5,000 cottage industries and 3 leather parks planned
- **Demand:** 42 million pairs of shoes p.a. Other products include sandals, bags, accessories
- **Supply:** projected 20 million shoes produced locally by 2022.
- **AGOA:** export potential under African Growth and Opportunity Act (AGOA) trade agreement
- **Quality:** low hides & skins, poor handling, mutilated animals, markings
- **Skill and Training:** design, production and marketing capacity required
- **Scale:** aggregate small enterprises into groups, cooperatives

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Leather trade actors

Investment &Trade support

Training & enterprise development

TPCSI

Crop production & trade

Agricultural value chains

- **Investment:** KES. 768 million budgeted for 2018-2022 for agriculture
- **Main activities:** smallholder and large scale irrigation projects

25 shallow wells,
109 boreholes,
195 water pans
1 dam

- Merti Aquifer
- River Tana
- 27 boreholes within Dadaab

- **Projects:** DRC, LWF Kenya Red Cross, NDMA , EU supporting agro-pastoralism
- **US African Development Foundation:** MOU signed with county to drive investment in agriculture, off-grid energy and jobs creation

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Handcraft and Home Decor Value Chains

- **Government Support:** Home-craft centres & funding for job-specific vocational and technical training
- **Products:** jewellery, handicraft carvings, handbags, saddles, belts, & bangles
- **Market:** Key urban areas and export markets
- **Gaps:** Training and capacity building on quality products,
- **Potential:** underdeveloped linkage to tourism

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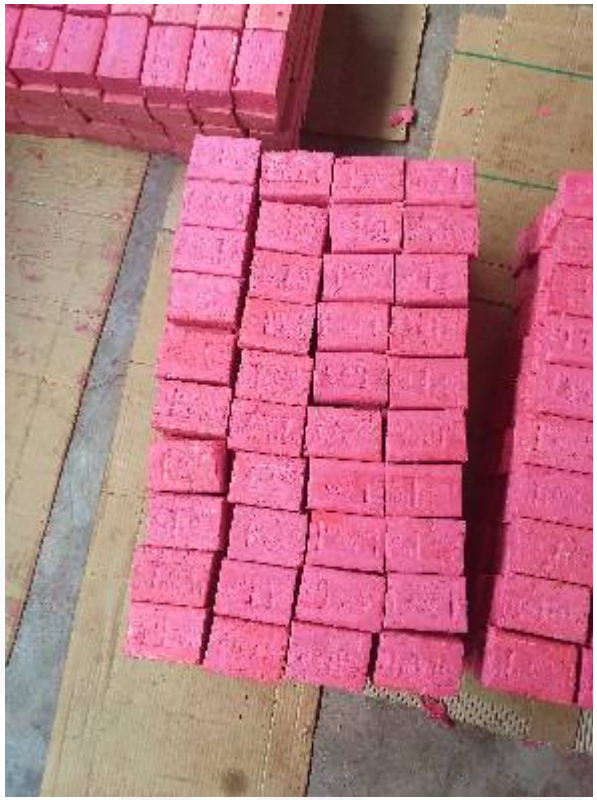
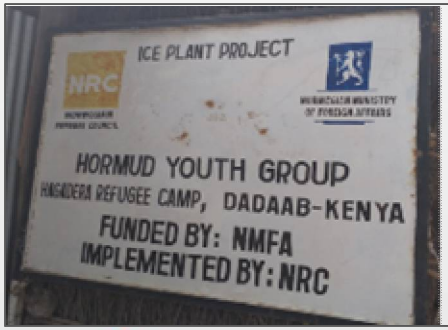
Other value chains

Left: Plastic recycling

Right & Bottom: Bar soap making





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Other value chains –light manufacturing

Locally made Improved cooker

Stabilised soil blocks making machine and manufacturing unit at RRDO

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Constraints

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Economic and policy constraints

- **Under investment:** ASAL counties have been underfunded in the past
- **Encampment policy:** limits movement and exposure
- **Limited knowledge:** limited peripheral awareness, poor regulatory appreciation
- **Poor fiscal planning adherence:** implementation failure & corruption
- **Political challenges:** clan interests limited shared benefits and scale of projects
- **Low economic base:** diminished opportunities and low literacy
- **Poor road infrastructure**: poor linkage to markets and high cost of movement
- **Insecurity:** terrorism and clan related instability
- **Climate Change:** extreme drought and under investment to mitigate and adapt
- **Entrepreneurial capacity:** low literacy, limited business knowledge and experience

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Conclusions & recommendations

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Conclusions & recommendations

- Encampment Policy: informed by fear of terrorism and radicalization and hindrance to integration
- Legal Framework: poorly understood by both host and refugee communities.
- Political environment: positive political system & will. PPPs are crucial
- Actors: nascent businesses support on the ground-leverage & synergize
- Access to capital: window provided by revolving fund, GoK funds, banks, VLSAs
- Sustained and long term focused entrepreneurial capacity building needed
- Immediate opportunities;
  - production, processing and trade in livestock & crop products,
  - Artisan based trade-handicrafts, leather, fabricated and hand made equipment & tools
  - ICT services to be a cross-cutting service-market linkage, business processes
  - Work with actors-development agencies (DRC, Kenya Red Cross, KNNCI, KIRDI, RRDO, Faida, Banks & both levels of government

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