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WORLD FOOD PROGRAMME KENYA

INFOBRIEF [17]

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The Kenya Retail Engagement Initiative

Getting More Value from *Bamba Chakula* Cash Transfers

Introduction

In Kenya, the United Nations World Food Programme (WFP) is working to strengthen and enhance the supply chain of food commodities in markets around two remote refugee settlements, Kakuma Refugee Camp and Kalobeyei Settlement in Turkana County, to give refugees and other retail consumers better value for money.

With the Government, WFP delivers food and nutrition assistance to the most vulnerable households in Kenya. This includes over 420,000 refugees living in remote camps in Kakuma and Kalobeyei (Turkana County) and Dadaab (Garissa County). In Kalobeyei Settlement, WFP's food assistance is almost entirely in the form of cash, dubbed *Bamba Chakula*, which means "Get your food" in Swahili-based Sheng. In

Introduction Contd...

Kakuma and Dadaab refugee camps, WFP gives food assistance partly in the form of cash and partly as in-kind food. WFP injects approximately 172 million Kenyan shillings (US\$1.7 million) into the Kakuma, Kalobeyei and Dadaab markets every month.

As well as providing greater dignity and choice of goods to beneficiaries, the *Bamba Chakula* cash is designed to stimulate the local economy so benefiting both refugees and surrounding communities and offering significant business opportunities to these economies. However, to meet its purpose, beneficiaries must be able to access and afford their preferred commodities, such as pasta, meat, fish, milk, potatoes and fresh vegetables, in the local markets. This has been shown to be a challenge as a number of factors have led to high market prices and limited availability of goods, meaning customers are not always getting “best value for money”. The Kenya Retail Engagement Initiative is focusing on improving the “value for money” for refugees and other retail consumers by improving the supply chain of food commodities to refugee markets in Kakuma and Kalobeyei. By building the capacity of retailers and that of the county government to support sustainable and structured local retail markets, WFP is passing on its extensive experience in supply chain management – particularly of food commodities – to business communities engaged in the retail supply chain selling to beneficiaries of WFP’s *Bamba Chakula* transfers.

Specifically, “best value for money” will be achieved by addressing **i) supply chain inefficiencies that contribute to current high retail costs in the food system**, and **ii) strengthening the capacity of the retail sector to improve its efficiency, profits and customer value**.

The specific outcomes expected from the Kenya Retail Engagement Initiative are:

1. Increase the purchasing power of the recipients of *Bamba Chakula* cash from WFP (and other retail customers);
2. Improved availability of nutritious food at affordable prices to enhance the dietary diversity of refugees and other beneficiaries of *Bamba Chakula*; and
3. Improved conditions for refugees and local host communities by providing them with opportunities to diversifying their livelihoods.



Factors leading to “poor value for money” – high market prices and limited availability of food in and around Kakuma and Kalobeyei markets

- **Low capacity of traders:** Many traders have a low capacity to do business competitively. This includes lack of business skills and limited working capital. They are unable to aggregate food and invest in storage infrastructure. As a result, the traders have a limited ability to lower their operating costs and to expand their businesses.
- **Limited competition:** Few wholesalers, transporters and traders operate in this challenging business environment. This leads to market monopolies resulting in price volatility.
- **Poor infrastructure:** Inadequate transportation and storage facilities hamper availability of good quality and well-priced dry and fresh produce in the local markets. Poor road conditions and distant markets result in food spoilage during transportation

and contribute to the high cost of goods. During rainy seasons, roads can deteriorate and become impassable.

- **Limited local production:** Retail markets in and around the refugee camps are largely dependent on food from outside the areas as the local desert-like climates are not conducive to rain-fed agriculture. High costs of agricultural inputs combined with low yields result in comparatively high prices for locally produced food.

The Kenya Retail Engagement Initiative is working towards ameliorating these challenges to achieve a more efficient market in which traders can take full advantage of the relatively new and growing demand for quality foods of higher volumes that *Bamba Chakula* has created and consumers/refugee beneficiaries can access at fair prices.

and local Turkana community – to operate as *Bamba Chakula* traders, ensuring they are licensed and registered and, for those handling fresh foods, have medical certification. They have also been trained on conducting *Bamba Chakula* cash transactions and undergo regular performance evaluations to ensure they are adhering to their contract terms.

Strengthening linkages within the supply chain.

These *Bamba Chakula* and other small-scale traders have been linked directly to wholesalers and food manufacturers, cutting out the middlemen and their mark-ups. WFP is working with market coordinators to identify reliable wholesalers to supply the beneficiaries' top preferred commodities at negotiated prices.

WFP has also assisted medium-sized wholesalers to gain access to large-scale food manufacturers and importers in order to improve sourcing of goods at reduced wholesale prices. The wholesalers are obliged to enter into direct contracts with traders. WFP oversees the implementation of this agreement to ensure that the benefits gained through these business-to-business linkages (small-scale traders to wholesalers and to food manufacturers) are passed on to the refugees and local community. The gains include reduced cost of goods, improved service, short-term credit arrangements and availability of increased variety of goods. This business-to-business linkage is stimulating the local markets. Since January 2018, wholesalers have extended 46 million Kenyan shillings (US\$460,000) of credit to the *Bamba Chakula* traders every month.

What's worked so far...

1. Increasing the purchasing power of refugees and the local community

The inefficiencies within the food chains that supply refugee markets in and around Kakuma and Kalobeyi refugee markets are being addressed to increase the purchasing power of retail consumers.

Effective contract management of traders. WFP has contracted 250 small-scale traders – both refugee



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WFP/William Orlale

*Retail prices have decreased by up to **10 percent** from the November 2016 baseline and have remained relatively stable despite the impact of the 2017 regional drought. The number of wholesale traders increased from a single operator to four through preferred wholesaler arrangement selected by traders.*

2. Improving the availability and affordability of fresh produce and nutritious foods in Kakuma and Kalobeyi markets

WFP is working with vegetable traders from Kitale and fisherfolk from Lake Turkana to supply Kakuma and Kalobeyi markets. Top fresh produce traders in Kakuma and Kalobeyi have been linked to local farms in Kakuma refugee camps and to WFP-supported agricultural irrigation schemes in the southern parts of Turkana. Common market days are being held every three months to demonstrate the scope of the Kakuma market to the local traders, suppliers and transporters, as well as to small vegetable growers and the fishing community.

The engagement of large traders of fresh produce operating in Kitale (400 km away) to supply Kakuma and Kalobeyi markets has led to a greater and more constant supply of goods giving *Bamba Chakula* beneficiaries and the local Turkana community better access to more diversified and nutritious commodities at lower prices.

The availability, affordability and quality of the fresh food has improved in the markets as the suppliers are linked directly from farm gate to the market. This linkage has reduced the number of handling points involving middlemen and change of ownership, such as from farm broker to transport broker to market broker – each translating into additional costs.

Ten trading sheds (for vegetable and fish sellers) have also been constructed to improve the hygienic handling of fresh food in all markets. The sheds are housing almost 100 retailers selling fish and/or vegetables. Innovative local cold storage solutions to preserve the quality of perishable foods are being explored for these traders.

Margaret Kamau, Bamba Chakula
trader in Kakuma

“We need to come up with a sturdy plan that will ensure that we can order directly from the farm; and the farmers must also deliver at the appointed time and the requested quantities. If there are no middlemen, then we will be able to give the refugees and the local population fresh commodities at good prices.”

“I bought cabbage, butternut, and green banana. The produce was fresh from the farm and the prices were fair, and as a result I was able to sell to my clients at a lower price.”



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Peter Ngatendai Egiron, fisherman,
Wadach village (speaking during a
Kakuma market day)

"Prices are better and the demand is high. I don't regret coming to this fair. In one day, I've sold fish worth about 30,000 Kenyan shillings (US\$300). I've never made that much in one day."

"I will not hesitate investing my money in ferrying fish from the lake to the Kakuma market. There are many fishermen along the shores of the lake [Turkana], so the market is flooded, and this pushes the prices down. The fish that I'm selling at 200 Kenyan shillings [US\$2] here, can only fetch 80 or 100 Kenyan shillings [US\$1 or less] in Kalokol market."



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Some of the benefits realized so far are:

1. Fresh foods are available throughout the year.
2. The price of fresh tomatoes has reduced by about 30 percent.
3. The supply of fresh produce to Kakuma and Kalobeyi Settlement markets has increased from approximately 2 million to 4 million Kenyan shillings. About seven trucks are consistently delivering fresh produce to both markets, up from just two.



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3. Contributing to self-reliance by creating economic opportunities

WFP, the Food and Agricultural Organization of the United Nations and Turkana County Government undertook an assessment of the local food value chains in the county to identify locally produced food commodities with economic potential and high nutritional value. The assessment found that Turkana County produces a surplus of goat meat but has a huge consumption deficit of sorghum, cowpeas and poultry. The four priority value chains were identified based on their potential to improve income, improve nutrition and maintain a robust market performance, as well as on their agro-ecological adaptability and their suitability as retail commodities for women and youth. The Kenya Retail Engagement Initiative will develop a business model to assist the Turkana business community to take advantage of this identified opportunity for goat meat, sorghum, cowpeas and poultry. WFP will work with smallholder farmers to overcome the associated challenges, such as handling and storing meat products, and increase the availability of these products in the local markets.

About 200 traders received training on financial management, business development, food safety and quality and supply chain management. This training also helped to equalize the capacity of small- and large-scale traders. Subsequently 13 traders have been pre-approved for a total of 1.8 million Kenyan shillings (US\$18,000) of credit from Turkana County Government's Biashara (business) Fund.

How else is the retail sector being strengthened by the Kenya Retail Engagement Initiative?

- Developing a point-of-sale (PoS) solution to assist traders to effectively manage their inventories as well as sale transactions. The PoS will also contribute to greater transparency and accountability and is being piloted in 2018.
- Offering small-scale traders 'start-up' support and access to opportunities for business growth.
- Engaging multiple wholesalers who can assure supply and variety to the market and minimize the influence of the middlemen.
- Advocating with the Government to improve and sustain road infrastructure.
- Supporting retailers to aggregate demand and purchase larger volumes of food from wholesalers and manufacturers to reduce operational costs.
- Training Turkana County Government¹ as trainers on post-harvest management, food safety (including fresh food) and humanitarian supply chain management.

¹ Departments of Trade, Industrialization and Enterprise Development; Early Childhood Development; Disaster Management; Supply Chain Management; Agriculture; and Health and Nutrition.

WFP has been creating business opportunities for local community traders to address the challenge of the disparity in business competency between local Turkana and refugee traders. Economic opportunities for the local community have increased as a result of a more robust retail sector. WFP pursued the concept of combining its in-kind food distribution (of a nutrient-rich flour of corn-soya blend) through the local Turkana *Bamba Chakula* traders in Kalobeyei. This initiative is expected to boost each trader's monthly earnings by US\$200 in addition to enhancing business opportunities during the distribution of the nutrient-rich flour.



To this end, WFP constructed 16 initial shops in Kalobeyei for local Turkana retailers and obtained approval for the traders to distribute the nutrient-rich flour from these shops. The traders are located throughout Kalobeyei settlement, increasing their chances of attracting clients, including refugees. Business mentorship programmes have also been established with the traders.

What's next...?

Currently in Kakuma refugee camp, *Bamba Chakula* cash comprises 30 percent of the refugees' food basket. Subject to funding, WFP intends to increase the cash allocation to 50 percent. The Kenya Retail Engagement Initiative will continue implementing key activities to sustain its initial gains and achievements in Kakuma, Kalobeyei and Daadab as support for this increase in cash to refugees:

- Improved data collection of food prices and monitoring of trends in relevant markets to inform WFP on the impact of cash transfers effectiveness of the intervention.
- Continued training with Turkana Country Government and partners of traders on food handling, safety and quality, financial literacy, customer service skills.
- Introduction of the Kenya Retail Engagement Initiative in Dadaab and piloting in regions of WFP resilience-building activities where WFP provides cash transfers.
- Improved access to loans and credit facilities. Continued follow up will be made with private sector, international organizations



and government partners to explore more opportunities and options for credit. This will also include facilitating retailers to form lending groups.

- Improving the supply chain of sorghum, goat meat, poultry and cowpeas to increase the diversity of foods available in the markets.
- Continued improvement of feedback mechanisms, empowering beneficiaries and enhancing accountability and transparency.
- Developing a retail engagement strategy to guide the implementation of similar initiatives, e.g., in WFP resilience-building projects, as well as to assist counties that are managing cash interventions such as the Hunger Safety Net Programme or Home-Grown School Meals Programme.

The Kenya Retail Engagement Initiative has the potential to support other food-insecure populations, making significant contributions to national safety net programmes and to strengthening food systems throughout Kenya. It can contribute to solving the “last mile” problem – the missing link between farmers or customers and functioning markets.

The successful implementation and expansion of the Kenya Retail Engagement Initiative is anchored on

the expansion of partnerships with United Nations agencies, the Government, and private and public institutions at both national and county levels.

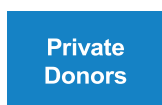
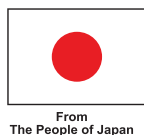
WFP injects about US\$3.22 million into the national economy monthly. It is fundamental that WFP works closely with the private sector, which could translate WFP’s cash assistance into a sustainable business model. The private sector, such as food manufacturers, large wholesalers and traders, play a critical role in improving the overall food system, particularly in food transformation, while banks and microfinance institutions have potential to address the financial constraints that most traders encounter in day-to-day operations.

For the gains made to hold, it is imperative that Turkana County Government has the capacity to ensure food safety and quality standards are maintained. Through WFP’s support, trade and public health officers are continuously equipped with the necessary technical skills to support traders to adhere to food management, safety and quality standards.

WFP is grateful to the donors who have supported the Kenya Retail Engagement Initiative to date. WFP will continue engaging traditional and non-traditional donors, the private sector, business communities and government partners interested in market development to ensure the continuity of the Kenya Retail Engagement Initiative.

List of Donors in Alphabetical Order

(Since 2011: PRRO 200174 and PRRO 200737)



If you would like more information, please contact:

Konjit Kidane
Senior Supply Chain Officer | konjit.kidane@wfp.org

Antonio Salort-Pons
Head of Government and Private Sector Partnerships | antonio.salort-pons@wfp.org
in the Kenya office.

