

CAPE
OAU/IBAR

FEASIBILITY STUDY

**BUSINESS-LED APPROACH TO ANIMAL HEALTH
SERVICE DELIVERY**

MANDERA DISTRICT



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ACRONYMS

AHAs	Animal Health Assistant
AHS	Animal Health Services
AHT	Animal Health Technician
ALRMP	Arid Lands Resource Management Project
ASAL	Arid and Semi-Arid Land
BDS	Business Development Services
BOS	Business Opportunity Seminar
CAHWs	Community-Based Animal Health Workers
CAPE	Community Based Animal Health And Participatory Epidemiology Unit
CDTF	Community Development Trust Fund
DALEO	District Agricultural and Livestock Extension Officer
DVS	Director of Veterinary Services
EDRP	Emergency Drought Recovery Program
EPAG	Emergency Pastoral Assistance Group
EVK	Ethno-Veterinary Knowledge
FAO	Food and Agriculture Organization of the United Nations
FITCA	Farming in Tsetse Controlled Areas
GOK	Government of Kenya
KMC	Kenya Meat Commission
K-Rep	Kenya Rural Enterprise Programme
KVAPS	Kenya Veterinary Association Privatization Services
KVB	Kenya Veterinary Board
LDUA	Livestock Drug Users Association
MEs	Micro-Enterprises
MSEs	Micro and Small Enterprises
NEP	North Eastern Province
NORDA	Northern Region Development Agency
OAU/IBAR	Organization of African Unity/Inter-African Bureau for Animal Resources
OLS	Operation Lifeline Sudan
SNV	(Netherlands Development Organizations)
TNS	Technoserve
VSF	Veterinaires Sans Frontieres -Suisse

I EXECUTIVE SUMMARY

TechnoServe Inc. was contracted by the CAPE project of OAU / IBAR (the Lead Agency) to carry out a feasibility study as part of investigations towards identifying the viability of 2 private businesses operating as **livestock and veterinary supply stores in Mandera district in Kenya**. The outcome was intended to play a significant contribution towards establishing sustainable privatized systems for animal health services in Arid And Semi-Arid Lands of the Eastern Africa regions, which have predominantly pastoral agricultural systems. This document presents the final report of the feasibility study.

TechnoServe conducted the survey at prospective sites in El Wak Kenya and Takaba, and made detailed fact-finding visits to Mandera, Wargadud, Rhamu and El Wak Somalia. The systematic information gathering was aimed at understanding the market situation, the competition, product pricing, the supply chain and, the likely financial and economic viability of the stores.

In an effort to access and use other available information on the subject, TechnoServe hosted a workshop for key stakeholders especially organizations that have participated in privatization initiatives. Eight different privatization models have been reviewed in this study for their advantages and disadvantages.

In this report, TechnoServe has recommended a new privatization model that takes into account the current business environment at the sites visited and also borrows from experiences of other stakeholders. In addition the model uses a business-led approach and incorporates some of the contemporary micro enterprise development systems currently used by TechnoServe. A key feature of the model is that it considers the use of para vets in a more significant and entrepreneurial role.

In addition to the suggested model, the following key issues are also discussed: An animal health service business is a very low margin activity and relies on large inventory turnovers. TechnoServe's rapid assessment at this stage is that gross sales turnover should be at least Kshs 500,000 per quarter. For greater financial sustainability, gross sales income should be approximately Kshs 300,000 per month for the proposed business.

Incomes in the pastoral communities are very low and business growth rates would be slow in such circumstances. Activities that enhance the incomes of the target pastoralists would stimulate effective demand for animal health services. Two such activities that should be investigated further are livestock marketing and promotion of gums and resins marketing.

Ideally, the next step in development of the business model is to carry out a detailed business plan followed by implementation of a pilot business in the prescribed model.

II INTRODUCTION

2.0 Overview –Scope of Work

The Community Based Animal Health and Participatory Epidemiology (CAPE) Unit, has contracted Technoserve Kenya to conduct a feasibility study into the viability of two private businesses operating as livestock and veterinary supplies stores at Elwak and Takaba in Mandera district. The overall objective is to provide sustainable animal health services to existing and potential markets and involved the following activities:

- Market Survey
- Analysis of competition
- Pricing
- Financial and economic viability analysis
- Asses market catchment & optimum stock levels,
- Identify any unexploited competitive potential,

2.1 Study Objectives

The overall objective of the study was to examine the potential and economic viability of private sector participation in the delivery of animal health services using a business model that is able to meet the needs of Livestock owners in a sustainable manner:-

1. Evaluate appropriate business models.
2. Define strategies for procurement, operations, marketing and Finance
3. Assess financial viability and projections
4. Economic viability analysis.

2.2 Limitation of the Study

Timing-it should be noted that during the time of the study most of the pastoralists had relocated to the highlands of Ethiopia and other parts of Somalia not ravaged by the current drought. Most of the shops as a result were recording considerably low business and it also made it difficult to meet practicing CAHWs.

Border Closure- at the time of the study the Kenya Somali border was officially closed, as a result it made it difficult to monitor the existence of any cross border trade.

Cultural differences - in some instances made it impossible to collect information without the help of local interpreters who also could only obtain freewill information from members of their own sub-tribes/clans.

Lack of quantitative data – particularly on the number of livestock owners served or number of animals treated by the CAHWs, the study therefor relied heavily on secondary data which was deficient on key quantitative information such as value of products sold and profit margins. It was noted a the livestock census was last conducted 15 years ago.

III METHODOLOGY

This study was conducted through the use of both internal and external secondary data (literature review) and primary data. The primary data included face to face interviews with key informants in Mandera District using questionnaires as data collection instruments and interviews with primary stakeholders with a wide range of experience in the delivery of animal health services in Kenya and neighboring Somalia.

3.0 Sample Elements and Procedures Used

The key sample elements included the following:

CAHWs- Convenience sampling was used to identify the CAHWs to be interviewed owing to the fact that they are always on the move with the livestock owners and do not operate from the market centres.

Livestock owners- A combination of convenience and judgmental sampling was used, this mainly due to the cultural backgrounds of different Somali sub-tribes and the convenience of meeting them at points where they converge e.g. at watering points.. The interpreter could therefore only talk to livestock owners from his own clan. This improved the accuracy of information due to the cordial relations that exists among members of the same sub-community.

Agro-Vet shop owners- Several shops (including outwardly non-related shops) selling animal drugs in each town was visited. Random sampling was used to identify interviewees.

Livestock Drug Users Association- The LDUAs are spread out throughout the district with one established in every location. During the fieldwork it was established that few were still operational. Subsequently random sampling was used to identify the LDUAs that were conveniently located along the main Mandera to Elwak road e.g. Rhamu LDUA.

Key informants:

NGOs- Due to the small number of NGOs operating in the district, judgmental sampling was used to identify and interview only those NGOs that were involved in some form of AHS intervention or other.

Government Officers- In order to collect relevant data, judgmental sampling was used to select the government departments or officers who are directly involved in livestock production and veterinary services, with the exception of the district commissioner. This included the ALRMP.

3.1 Objectives of sampling

Sampling was used in consideration of the time it would take to transverse the vast terrain that comprises the project area. The population distribution is highly dispersed

and would have required long distances to be covered within the study area. Sampling was also used in order to ascertain the collection of reliable data from informants and interviewees who were directly involved in provision of animal health services.

3.2 Sample size

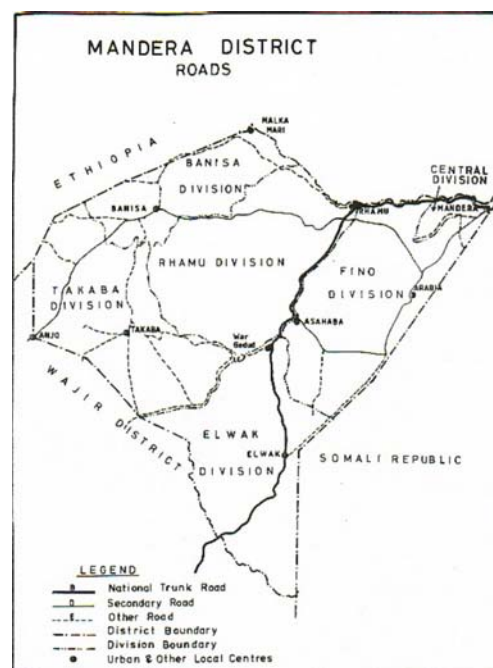
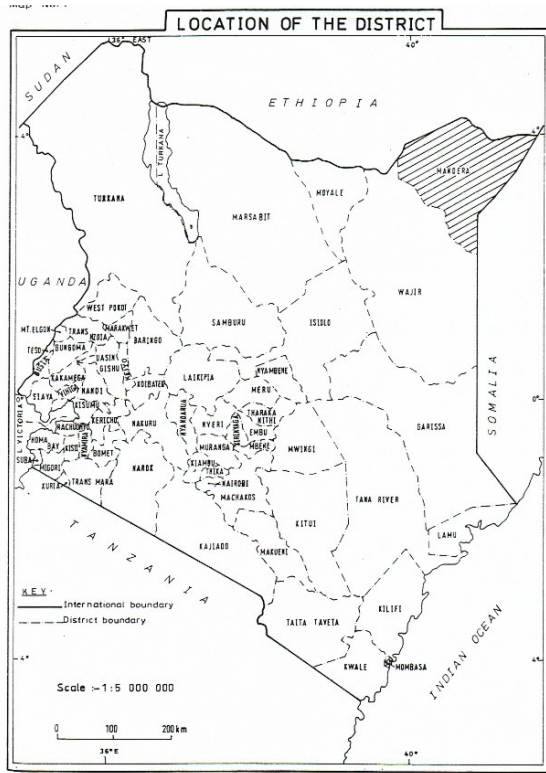
Sample Element	Sample Size
CAHWs	3
Livestock owners	22
Agro-Vet Shop Owner	24
LDUAs	2
NGOs	3
GoK officers	5

3.3 Study Area (see shaded area on the map below)

The district is located on the northeastern tip of Kenya bordering Somalia and Ethiopia. The District is divided into 18 divisions with 79 locations covering an area of 26,474 Sq. Kms with a population of 250,372.

The main project area covers Elwak sub-district and Takaba division. Not indicated in the map is Elwak Somalia, which was also visited during the study. A sub-district of 16,400 inhabitants with the female population making up 49.5% of the total population, Elwak Kenya has a population density of 26 people per sq. kilometer with an estimated 2,843 households, the location covers an area of 631.5 Sq kilometers.

Takaba has a population of 9,700, with a female population of 49.1%. The area has a population density of 3 people per sq. kilometer with an estimated 1,793 households, spread over an area of 492.7 Sq kilometers¹.



3.4 Questionnaire Development and Testing

Based on the agreed research methodology, TNS developed the questionnaires to be used in the collection of primary data. A correlation of the overall study objective and the questionnaire was drawn. It was noted that due to cultural reasons, some information could not be obtained in the form preferred.

Questions that would complicate the data collections were avoided and replaced with open-ended questions from which the required information could be deduced. Questions that were deemed to be unsuitable for group interviews were avoided, while at the same time asking questions that are not vague, double barreled, too open ended indicating too many choices or ones that touch on cultural or religious beliefs.

The questionnaires were then tested by TNS staff and the interviewer before being administered.

3.5 Tabular Summaries of Results

Six questionnaire types were administered corresponding to each of the sample elements before mentioned. The questionnaires were completed, tabulated, and the data analyzed as follows:

Livestock Owners Questionnaire

Table 1.0

	How many animals does the livestock owner have and how much does he spend on drugs				
	Number of Animals		Monthly Drugs Expenses		Total
	<200	\$200	< 2,000	\$2,000	
No. of Livestock Owners	6	16	20	2	22
Frequency %	27%	73%	91%	9%	100%

Table 1.1

	How do you Access Drugs		
	Self Sourcing	CAHWs	Both
No. of Livestock Owners	8	6	8
Frequency %	36%	28%	36%

Table 1.2

	How do you rate the current CAHW delivered service			
	Good	Average	Poor	unanswered
No. of Livestock Owners	10	3	4	5
Frequency %	45%	14%	18%	23%

It was noted that most livestock owners traveled at least a day's journey to the nearest watering points, there were also no cases of quacks treating animals with the exception of the livestock owners themselves.

Agro-Vet Shop Owners Questionnaire

Table 1.3

	Number of Employees		Monthly Drugs Expenses		Total
	<2	≥2	< 5,000	≥5,000	
No. of respondent Shop Owners	23	1	17	7	24
Frequency %	96%	4%	70%	30%	100%

Table 1.4

	How do you Access Drugs			Total
	Self sourcing	CAHWs	Both	
No. of respondent Shop Owners	5	12	7	24
Frequency %	20%	50%	30%	100%

Table 1.5

	What training have you received in handling drugs			Total
	Formal training	None	NGO/GoK	
No. of respondent Shop Owners	4	20	0	24
Frequency %	17%	83%	0%	100%

Table 1.6

	Do you supplement animal drugs sales with other products			Total
	Yes	No		
No. of respondent Shop Owners	24	0		24
Frequency %	100%	0%		100%

Table 1.5

	What main factor do you consider when purchasing drugs			Total
	Quality	Price	Brand	
No. of respondent Shop Owners	4	8	12	24
Frequency %	17%	33%	50%	100%

Majority of respondent shop owners recorded the highest sales during the wet seasons, their source of drugs are mainly middlemen who supply drugs from Nairobi while dewarmers emerged as the most popular drug requested by livestock owners. Respondents requested for support in reliable access to drugs with better profit margins.

Note:

- Unfortunately the four CAHWs interviewed during the study were all from Takaba and had not been involved in provision of AHS for a while owing to the drought as well as a breakdown in the supply of drugs to already trained CAHWs by VSF.
- Out of two LDUAs visited at Takaba and Rhamu, only Rhamu was operating, it was said that the Banissa LDUA was also operational though this was not ascertained.

(See Annex 3 for questionnaires used.)

3.6 Review of Project Documents and Reports

With the assistance of several stakeholders and the Internet, several documents; reports and research articles were reviewed and are listed in the bibliography². A number of the research documents are on the privatization of AHS and delivery in ASALs. Several case studies and lessons learned were also taken into consideration during the study. A list of these documents has been attached

3.7 Fieldwork

The fieldwork was conducted over a seven-day period that covered the following towns: -

Day	1	2	3	4	5	6	7
Mandera	██████████	██████████				██████████	
Rhamu		████					
Elwak -K			██████████				
Elwak -S				██████			
Wargadud					██████		
Takaba					██████████		

3.8 Review of Workshop Findings

Technoserve conducted a preliminary Feasibility and Business Planning Workshop on experiences in privatized animal health services in arid and semi arid lands (ASAL). Participants included governmental departments, parastatals, Private veterinary companies and associations, multi-lateral agency, international and local NGOs as well as two educational institutions. The following is a summary of the workshop findings reported in accordance with the four key topics of the workshop:-

Privatization Models for AHS in the ASAL

The Director of Veterinary Services (DVS) Out of the approximately 200 formal private vets in practice, less than 10 operate in ASAL areas. Privatization of vet services in ASALs is a challenge because of the lack of interest from vets (KVAPS clients are largely in high potential areas where they have a higher chance of servicing their loans). Other obstacles that have been noted to impede privatization in ASALs are- high delivery costs due to poor infrastructure and lack of business support structures.

CAHWs are a viable alternative to vets in ASALs to compete with the Illegal competitors (quacks) delivering AHS due to lack of efficient control on drugs and drug application. It has been experienced that poor quality or unprofessionally administered drugs often lead to development of resistance to diseases in cattle. According to the DVS the vet-

supervised and trained community based animal health workers (CAHWs) system would address this problem.

Kenya Agricultural Research Institute (KARI), conducted a study that identified dukas (shops) as a key source of information on drugs and acaricide use and could serve as the focal point of a business model for delivery of AHS. Duke owners already provide a range of medical and veterinary drugs, agricultural pesticides, livestock feeds and thus they occupy an important position as suppliers of drugs.

Operation lifeline Sudan (OLS) is responsible for delivery of animal health services through some 1000 trained CAHWs. Some set-backs to this largely donor supported program are that the attitude of donor dependency has been creeping into the livestock owners especially because the livestock drugs were initially at very subsidized prices. Good progress has been made and 80-100% cost recovery is currently being achieved in the upper Nile while the wealthier Bahr el Ghazel and Equatoria are attaining 165% cost recovery.

SNV has launched a private veterinarian model where the NGO provides support for NGO training and provides salaried income for veterinarians. The Veterinarian is based at a district capital and he/she procures all drugs and markets the same to AHAs for onward sale to CAHWs and livestock keepers. At present, only the CAHWs can make a sustainable income from the sale of the drugs. In some cases, the CAHWs are paid through barter and this is also acceptable. This model has so far provided an efficient mechanism of vaccination and emergency drought interventions when the need arises.

In Ethiopia, a privatization model that is said to be functioning well involves deliberate integration of the business community with the buying and stocking of animal health products. This then makes the drugs available to AHAs and CAHWs who are then able to provide the services to the livestock owners. Workshop participants concluded that the Ethiopian model should be investigated in more detail to assess its suitability for Kenya.

The plenary discussions concluded that there has been no project so far that has incorporated adequate measures for sustainability before exit of the support providers. As a result all project activities still appear to require continued donor support.

A common and serious setback to sustainable privatization is the occasional flood of donor- provided free drugs that distort the budding markets catastrophically. To curb this, all donors need to be made aware and some form of enforcement needs to be put in place.

SNV Community Animal health Service in North Western Kenya (SNV-CAHS NW) has a variation of the private vet model where after training CAHWs are provided drug kit either donated free or purchased by their communities, each containing drugs worth Kshs 6,000 to 10,000. In addition SNV has set up a drug store from where CAHWs purchase replenishments for their kits. Drugs are purchased directly from the pharmaceutical companies using SNV funds. In this private vet model, CAHWs are not supposed to profit

from the activity and do not receive any entrepreneur training since, the whole activity is a service to the community. The project sets the prices for the drugs leaving a “reasonable” margin figure above the buying price. That margin is the incentive available for the CAHWs to use for their subsistence.

The lessons learned from the SNV model are that CAHWs lack a business perspective, where drug kits were given free, project success was almost zero, CAHWs demonstrated lack of self-motivation. The project made a breakthrough in its new project (SNV’s Private Pastoral Veterinary Practice) an improvement of the private vet business model that incorporates “quacks” into the project for training. They received the training enthusiastically and also pledged to cooperate well in a planned project where they will be treated in the same way as similarly trained CAHWs.

Kenya Veterinary Associations Privatization Scheme (KVAPS) - recommended a Private Vet. model for ASAL areas using the support of NGOs for soft loans to the vet. for business start-up and an initial government contribution to the salary of the vet. before business “picks up”. In the model, which is yet untested, the NGO would provide the support over a two year implementation and exit plan.

The Policy Environment

The policy environment favours the privatization of animal health services. KVAPS was specifically introduced to facilitate the start-up of private veterinary services run by Kenyan veterinary doctors. FITCA was introduced to liaise with Kenya Government’s Department of Veterinary Services (DVS) in collaboration with KVAPS to ensure that an enabling environment is maintained for the success of privatization. KVAPS observed that official policy needs to be amended to encourage privatization especially through sanitary mandate contracts for vets in ASAL areas, approving the training of CAHWs and amending the Pharmacy Act to allow vets to stock drugs. According to KARI, policy/legislation should be reviewed to accommodate the role of dukas in provision of quality AHS.

According to current legislation only vet professionals can start an AHS business and that CAHWs are not officially allowed to practice AHS business. It is therefore not a coincidence that nearly all business models currently proposed are of the Private Vet. In addition, the controls in place are not effective since the market has witnessed a proliferation of black market drugs. The DVS is thus supportive of further improvement in the legal framework making it more enabling. **Kenya Veterinary Board (KVB)** has plans to initiate a participatory policy reform process, areas that are likely to be revised are classes of practices, inclusion of AHTs in private practices, authority of vets and AHTs to stock and distribute drugs or trade in livestock and livestock products.

Critical Business Success Factors

Access to affordable credit, - KVAPS provides loans to graduate vets at subsidized interest rate (3 percentage points above prevailing bank base rates, plus a further 50% rebate on interest paid). Parts of the credit guarantees in the KVAPS scheme are provided by FITCA. Unfortunately graduate vet businesses can neither attain adequate revenues nor sustain their business investment levels or income needs. It was suggested that “softer” credit terms should be accorded practitioners operating in ASAL areas.

Business management training

Currently, KVAPS is running business training for animal health services businesses run by graduate vets. KVAPS training starts at the pre-investment stage by providing guidance on how to develop a business plan. The training also covers, how to apply for finance, record keeping, monthly performance reporting, area disease survey and livestock census data collection/utilization, farm community training and effective business cost recovery. The business training should also be extended to CAHWs so that they can learn how to make profit to sustain their activities.

Competition to business

Participants were told that all donors should be made aware and should work together to end free handouts of drugs as this has contributed to slowing the sustainability of drug supply business. Donated drugs should be provided at prices that are competitive with normal business-driven supply. Illegal competitors are the main threat to shops and AHS providers mainly attributed to their questionable source of drugs for black market drugs.

Business information on livestock marketing and animal health services

Poor information systems have contributed to exploitation of pastoralists communities such that, unaware of market prices, they normally undervalue their merchandise (e.g. livestock for sale) and end up with lower income and thus inadequate funds to purchase drugs and other animal health services.

Demand for animal health services/products

The importance of animal health services is derived from the importance given to livestock by pastoralist livestock keepers who rely entirely on livestock for their livelihood. Livestock keepers in Kajiado seemed to be brand sensitive because Coopers Kenya's company products featured in 55% of all stocks in the agroveter dukas.

Poor purchasing power in the ASALs resulting from cattle rustling, periodic droughts and general low levels of money in circulation makes it difficult to sustain a business based on a cash economy. It was felt that it was important to develop the demand for AHS through introducing other income generating activities such as livestock marketing.

Transaction costs

High cost of doing business in the ASALs are associated with, poor communication, remoteness, poor roads and large distances leading to long travel times. In Southern

Sudan, OLS indicated that excessive taxation and demand for bribe money by authorities constrain transactions.

Insecurity

There were contrasting views about insecurity in the ASAL areas of Northern Kenya. The DVS, KVB and SNV-Community Health Services concurred that insecurity is a serious setback to private AHS business OLS also stated “insecurity and risk aversion are constraints to privatization in Southern Sudan. Northern Region Development Agency (NORDA), an NGO based at El Wak, states that large parts of North Eastern province have more peace and safety than is thought as a result of misinformation.

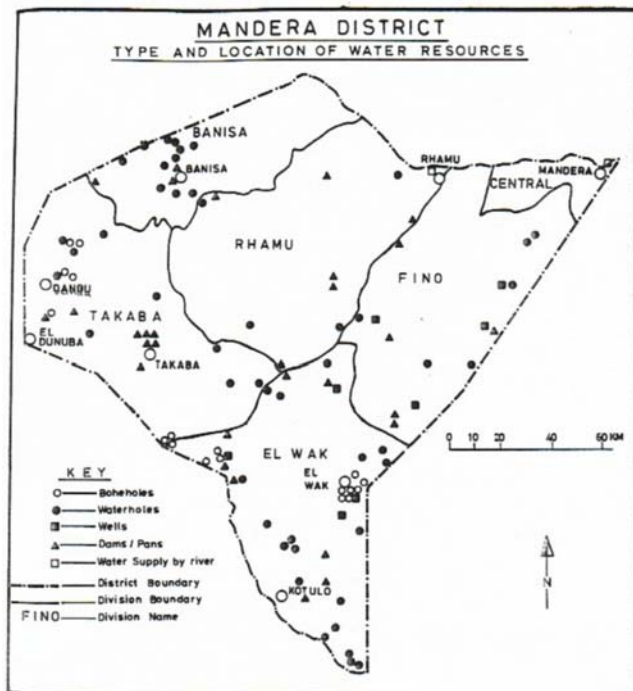
See also separately the workshop synthesis report, Feasibility and Business Planning Workshop on Experiences in Private Animal Health Services Provision in ASAL Areas. (CAPE-OAU/IBAR – TechnoServe, July 2001).

IV STUDY FINDINGS

4.0 Description of the Study Area

Mandera District is divided into 18 divisions with 79 locations with only one local authority, the Mandera County Council. At the time of the study the whole District was grappling with a crippling drought that has persisted for more than a year.

An expanse of 26,474 Sq. Kms Mandera District's topography is characterized by low lying rocky hills located on plains that gradually rise from the south to the north of the District, 400m and 970m above sea level respectively. With scanty and unreliable rainfall averaging 255mm annually, rainfall agriculture is only practiced in a few parts of the District, Takaba and Banissa, which are located near the Ethiopian highlands.



The District falls under Ecological Zone VI, which is characterized by very low, unreliable rainfall and very high temperatures. However no soil mapping or survey has been carried out, therefore no agro-ecological zones have been delineated.

Mandera is one of the hottest Districts in the country with mean annual temperatures of 28.3°C. and highs of about 37°C usually in the month of March. As a result few agricultural activities with the exception of livestock keeping can flourish in the District. Due to persistent dry climate most inhabitants are nomads with a small number practicing range grazing and zero grazing in the urban and peri-urban areas. An

example is Mandera town where most households have a paddock or pen for goats and a few cows. By observation these can be estimated at more than 50% of Mandera residence. Elwak and Takaba have relatively higher proportions keeping animals in town centres.

The predominant land use and economic activity in the District is livestock keeping. The only area with potential for crop production is along River Daua where the Agriculture Department has embarked on development of small-scale irrigation schemes by introducing small scale farming methods.

The arid nature of the District has had adverse effects on the District's resource potential. Despite widespread aridity the District is endowed with potential for livestock related activities, a sector whose development is further hampered by dilapidated infrastructure.

The District mainly depends on ground water resources due to limited surface or sub-surface water resources with the exception of River Daua.

4.1 SUMMARY OF QUALITATIVE INFORMATION FROM THE FIELD VISITS

MANDERA TOWN

Community Development Project Officer Arid lands Resource Management Project (ALRMP) Mandera

ALRMP operates in 10 districts countrywide. It took up from the Emergency Drought Recovery Program (EDRP) and generally aims at establishing community development packages where, ALRMP provides 70% of resources and the local community provides 30%.

EDRP was responsible for the establishment and training of 9 Livestock drug Users associations (LDUAs); this was followed by the construction of drug stores, out of which only 3 are still active. Their collapse was attributed to poor administration by community management committees. A revolving fund was established for the purchase of drugs and drug kits and this seems to have been mismanaged. At some point FAO also provided free drugs to some of the LDUAs. High credit sales resulted in poor performance.

VSF-Swiss -(Veterinaires Sans Frontieres-Suisse) has since retrained new CAHWs some of whom were among the initial group trained under the EDRP program.

- *It was noted that VSF drugs are too cheap thereby undercutting the LDUAs market.*
- *Professionalism of CAHWs was brought into question, their level of training was also said to be doubtful. There were some alleged cases of CAHWs exploiting ignorant pastoralists.*

Several livestock marketing groups exist in the district, these purchase animals for sale from Mandera and El Wak. One livestock market co-operative society exists in Mandera town.

- *ALRMP noted that it's a known fact that LDUAs as they exist are not viable.*
- *CAHWs as trained under VSF are more motivated than LDUAs because they make a margin on their sales.*
- *CAHWs were noted to be able to travel with pastoralists while LDUAs operate stationary shops without the support of marketing.*
- *Key livestock markets are located in Mandera, Rhamu and El Wak*

A slaughterhouse has been built in the town and owned by the Butchermen's Association and the local Town Council. Their income is generated from fee charged per animal slaughtered.

Note:

- *Transportation costs for a truck load to Nairobi of livestock is about 60,000/-*
- *Women groups in Mandera have established a milk-trading centre in Mandera town mainly trading in raw cow and camel milk.*
- *Transporters also supply milk from Somalia, Moyale and Ethiopia to Mandera, especially during the dry seasons when most of the cattle have been moved to Ethiopia. The volumes are negligible and from such varied sources that a milk-processing project would not be warranted.*

District Agriculture Livestock and Extension Officer
DALEO – Mandera District

Majority of the local community are Somalis, which include urban, peri-urban, agro-pastoralists and pure agriculturists usually confined to the banks of river Daua. The animal population includes:

Cattle	230,000
Goats & Sheep	550,000
Camels	120,000
Donkeys	17,000

Major developmental priorities in the district are **Water** and **Animal Health Services** (Drugs provision and supply). The apparent need for a study in Ethno Veterinary Knowledge (EVK) documentation was highlighted, as these are still used by some pastoralists. Though not totally effective the DALEO felt that the pastoralists understanding of animal health was diminishing with the new generations.

AHS issues that should be addressed include drugs administration and technical knowledge as well as affordability and accessibility.

Note:

- *There is no district level or centralized drug store in Mandera.*
- *Little follow up and monitoring of LDUAs was conducted by the EDRP.*
- *Almost all shops stock a mix of general consumer goods, animal and human drugs.*
- *During the visit we did not see any major private drug store that would be classified as an agrovet shop in Mandera town with the exception of a few drug stores that sell a variety of drugs including human health drugs.*
- *A handful of middlemen control the animal drug distribution, these supply the shops and kiosks with drugs.*
- *CAHWs trained through current initiatives have no link with LDUAs as earlier thought on the contrary they apparently are bitter rivals*
- *VSF was selling cheap drugs that depress the market price for privately owned operations.*

- *It also looks like there is no place for a purely “Vet.- run business”, the whole district has one GoK Veterinary doctor with no private vet. practice. It was noted that few or no Vets. even if they come from the District would be willing to work under the harsh environmental and economic conditions.*

Veterinary Program Officer.

EMERGENCY PASTORAL ASSISTANCE GROUP (EPAG)

EPAG is a local NGO that developed from a donor funded project and became localized. Their key activities include offering of animal health services i.e. sale of animal drugs to pastoralists and micro-project support. The sale of drugs is conducted on full cost recovery basis, though 50% of their work is in Mandera and the other 50% in Somalia. Due to persistent drought, they have concentrated on drought emergency assistance programs, which include water tankering, dam desilting and borehole rehabilitation

They have a drug shop in Mandera town that has an annual turnover of approximately KSh. 300,000. The shop serves both LDUAs and the general public. Their current margin is just enough to cover the costs of operating the animal drug shop i.e. approximately 10% margin.

Note

- *In 1998 small volumes of donor supplied drugs were given out freely at the peak of the drought season.*
- *Over the years EPAG has trained about 4,000 pastoralists both in Kenya and Somalia some of who were community health workers.*

Local Slaughter House Mandera

Owned by council and Butchermen’s Association, they share fees charged for the slaughter of animals, which include camels.

There were indications of a thriving market at the local livestock market, which operates daily, for the sale of camels, cows and shoats. The long distance and dilapidated state of the roads is the main contributor to high costs of transport.

Local leaders have in the past proposed the use of a modern airport facility at Wajir, constructed for use by Americans troops during the Operation Restore Hope initiative in Somalia a few years back. It was not clear what the government’s stand on this was.

District Veterinary Officer Mandera District

Top on the government’s agenda is adherence to the existing legal framework. The Dept. of Veterinary Services is concerned about the sources of drugs and their manufacturer’s credibility. Current thrust in the district is towards ensuring that some level of training is

conducted for AHS practitioners and this to include CAHWs. However the Dept. is not equipped to monitor the operations and delivery of AHS, they therefore have adopted a collaborative approach with other NGOs who continue to offer the required services.

The DVO noted that the boarder with Ethiopia and Somalia is porous and open to drugs of undisclosed sources. These find their way into the local market through middlemen and small shops. Unfortunately the GoK does not have the necessary resources and machinery to monitor/police and control the sale of drugs by dealers. The existing channels though inappropriate are the only way the drugs reach pastoralists.

- *VSF has trained 40 CAHWs. Their activity has shifted from emergency assistance to providing sustained development services.*
- *The current phase of their project, which involves the supply of drugs through CAHWs program, started in March when they trained the CAHWs and equipped them with drug kits.*
- *Initially the drug costs were 50% subsidized while the CAHWs made 25% margin on the sale. The next plan is to provide drugs at total cost recovery while the CAHWs retain their 25% margin.*
- *The DVO Sees CAHWs as the next level business, he is willing to work with them to ensure that they can provide their services sustainably. He is also willing to link them to privately operated drug stores should any be established in Mandera.*
- *The issue of a veterinary practitioner-run drug store is a big dilemma, few vets, would establish business in the area due to high operation and logistical costs. According to the DVO the only legally qualified person to run such shops are veterinary doctors, pharmacist, or a diploma holder in pharmacy..*
- *VSF has been constantly increasing the range of drugs and therefore the diseases that can be treated by the CAHWs.*
- *The VSF intervention may end in December, 2001 and there is an urgent need for an exit strategy which VSF is willing to discuss with NORDA.*
- *Evidence on the ground is that CAHWs are pushing out unqualified quacks by providing better services.*
- *VSF source of drugs is Nairobi manufacturers and wholesalers.*
- *Current sales levels stand at 450,000/- per month worth of drugs sold by VSF.*
- *Monitoring of the VSF project is done quarterly.*

EL WAK - KENYA

Livestock drugs Selling Shops/Kiosks

EI Wak

Almost all shops sell an assortment of consumer goods along side animal health drugs.

Note

- *About 60 shops located in the town serve an area of approximately 80 Kms.Sq.*
- *Average turnover on drugs ranges from KSh. 5,000 to 8,000 per month per shop.*
- *Monthly profits were estimated at 3,000 – 5,000/-per month.*
- *The drugs which are sourced from Somalia and Nairobi are supplied by middlemen.*

- *Frequency and value of orders is erratic and depends on weather patterns and prevalence of diseases.*
- *The main markets for these shops are the pastoralists who bring their animals to the numerous wells around ElWak town.*

Interview with Pastoralists

El Wak

- A total of eight watering points (boreholes) out of thirteen located around Elwak town were visited. Most of these watering points had camels, goats and a few donkeys with the exception of one, which had a few cows. Reasons being that majority of the cows had been moved to Somalia and Ethiopian to escape the current drought..
- Some pastoralists claimed that VSF drugs were not effective in some treatments, possible reasons for this was given by the Livestock Veterinary Officer as poor diagnosis by CAHWs, under dosage or over dosage.
- Other pastoralists noted that they had to travel about 50 Kms to reach the watering points. Though they also admitted that CAHWs had done a good job as they are equally distributed and are able to reach them as they move with their herds.
- The current drought has basically compounded the problems faced by pastoralists as they move in search of water and pasture.
- It was noted that during the dry seasons the pastoralists could not afford drugs as they lacked cash. A problem that is further compounded by a depressed livestock market prices. A vicious cycle is evident here as the pastoralists are unable to afford drugs and are also unwilling to sell their animals due to poor market prices. They only sell the animals that are too sick to trek the long distances.

District -Veterinary Livestock Officer

El Wak Sub-District

- On the question of non-effectiveness of drugs as claimed by some pastoralists, the VLO thought that the CAHWs are not effectively trained and he was skeptical as to their ability to treat the animals after only 3-5 days of training. He suspects the current problem of goats aborting after receiving treatment and a decline in fertility as claimed by the pastoralists is a resultant of wrong diagnosis, under dosage or over dosage.
- He however emphasized the need to continue training the CAHWs as well as pastoralists because when cash strapped, some have resorted to buying the comparatively cheaper and ineffective human drugs.
- In order to cover the five divisions of El Wak, the VLO suggest that more CAHWs should be trained so that the sub-district is adequately covered. He puts the appropriate number at 25 CAHWs.
- He however noted that govt. supervision was imperative as they were able to assess the impact of the private enterprises.
- The Elwak LDUA collapsed due to mismanagement.
- The weather pattern in the sub-district oscillates between 3 months of extreme dry weather and 3 months of rain.

ELWAK-SOMALIA

Open Air Market Traders/Drug Stores

- All drugs supplies are from Mogadishu, despite proximity to the boarder with Kenya the costs of drugs on the Kenyan side are comparatively higher, in some cases by about 50%. This might be attributed to the fact that the export products are not subject to Value Added Tax. The drugs that originated from Kenya are shipped through Mogadishu via Mombasa
- Most traders stated that Kenyan drugs were of high quality compared to the drugs obtained from India, Pakistan and some whose packages indicated their origin as Europe though this was doubtful, judging from the quality of packaging. It was also noted that a few of the VSF drugs were finding their way into ElWak Somalia though in negligible quantities.
- Orders of drugs from Mogadishu takes about two weeks to reach Elwak Somalia while the supply from Kenya is unpredictable due to lack of an established trade network through Mandera. On average traders are able to place orders on monthly basis from Mogadishu to the tune of KSh 30,000/-. The currency of trade is the Kenya or Somali Shilling. The shop's main customers include animal health technicians, qualified practitioners and veterinary doctors as well as livestock owners.
- The main competition is noted to be from the numerous other retail outlets selling a combo of human and animal drugs as well as an assortment of consumer goods.
- There were no NGOs operating in the town providing animal health services neither has there been training conducted in the area since the collapse of the Somali government.
- Though under different brand names most drugs are similar to the ones stocked on the Kenyan side of the boarder. The port of Mogadishu gives access to a wider variety of drugs to Somali traders as compared to the Kenyan shops.
- Surprisingly the shop attendants on the Somali side seemed more qualified with some of them displaying their picture framed credentials on the walls of their shops.
- Mogadishu has a well-established central market (Bakara Market) for most of the countries needs. This is the source of the drugs that are distributed in the country. A sophisticated communication and financial system run by militias has been established and this is used to place orders and make financial telegraphic transfers to virtually anywhere in the world through informal banks e.g. Hawilat Bank.

TAKABA

Interviewed in Takaba were committee members of the local LDUAs, CAHWs, traders and the location development committee chairman. The town is located 40 Kms. from the Ethiopian boarder. As a result of drought almost all animals had been moved to the Ethiopian highlands. Every year during the rainy seasons the pastoralists move back to Takaba due to the salt leak pastures located near the town. This exodus usually brings together herders from as far off as Wajir, Ethiopia and Somalia. The rainy seasons are experienced twice a year in April and October.

The wet seasons mark the best period for drug sales due to the myriad of diseases that the animals come with into the location. The product demand mix for drugs changes with seasons and prevalent diseases.

VSF conducted the first training for four CAHWs from Takaba among others from the district in June 2001 for a week, but no drugs were issued, a follow up training is planned for the end of September.

The town, which is comparatively smaller than Elwak, has fewer shops, about 20 in number, which didn't seem to be very active owing to the said drought and subsequent migration of animals to Ethiopia. Drugs were mainly sourced from Moyale and Manderla. Some traders complained about the high prices of drugs due to the town's remoteness,. Takaba has one public transport to and from Elwak each day.

The current LDUA covers a radius of about 60 Kms. The LDUA chairman indicated their willingness to let NORDA use their vet shop that was constructed by the Community Development Trust Fund (CDTF) but no drugs have been availed following a dispute arising out of what is seen as VSF's unfair competition. A major complaint was the price undercutting of the LDUA by VSF by selling subsidized drugs.

Local Slaughter House – Manderla

This is the only public slaughterhouse in the district. The Butchermen's Association, which was started in October 2000, owns the slaughterhouse in partnership with the Town Council. The construction of the actual building was undertaken by the Arid lands Resource Management Project with contributions as follows:

Arid Lands Resource Management Program	70%
Manderla Town Council	30%
Manderla Butchermen Association	10%

Constructions on the 8 acre slaughter-house plot, located about three kilometers from the town includes:

- Main building,
- One 5000 litre water underground tank,
- One 4500 litre overhead water tank

- 3 wastewater pits (two are full while a third one is under construction and has stalled).
- A skins drying shade and two pits for disposing of animal waste and diseased carcasses

On average the association earns 700/- per day. The membership, of the Butchermen's Association is drawn from 400 meat traders and butcheries located in Mandera town. The meat is transported to the town using hired donkey carts at a fee of Sh. 200 per day. The Butchermen Association is currently planning to purchase its own donkey carts and are trying to find a micro-credit institution that can facilitate this.

The current costs of a cart are as follows:

Carts	15,000/-
Meat carrying container	3,000/-
Donkey-	6,000/-
	24,000/-

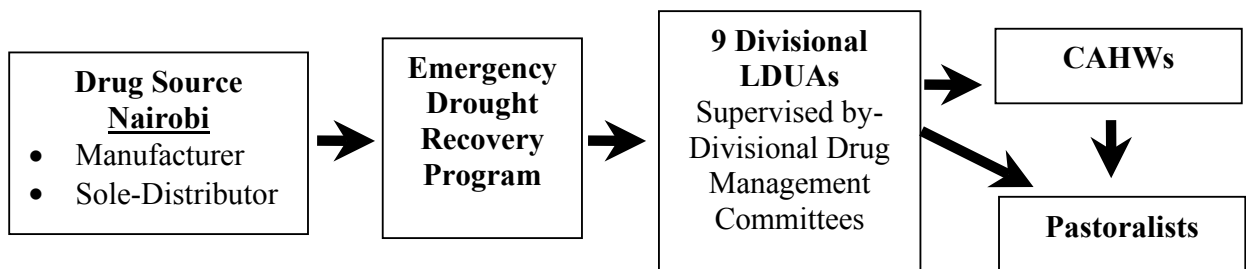
Average animals slaughtered daily:

- 10- 15 Goats
- 5- Camels
- 6 - Cows

4.2 Overview of Current Practices and Delivery Systems

The following organizations have undertaken several interventions in the delivery of animal health services in Mandera District in the recent past:

1 Livestock Drug Users Associations (LDUAs) Was established under auspices of the Emergency Drought Recovery Program (EDRP) with a budget of KSh. 10m. for livestock drugs. Initially drugs were distributed for free, later in 1994, sustainability issues were raised resulting in the establishment of the LDUAs. The project operated under the supervision of divisional management committees. These were then linked to trained Community Animal Health Workers (CAHWs). There were 9 LDUAs established by 1995 in Banissa, Ashabito, Takaba, Rhamu, Kotulo, Elwak, Fino/Arabia, Central and Khalalio. At the time of the study majority of the LDUAs were not operational, Rhamu LDUA seemed to be the most active While Elwak and Takaba were not operational. It is said that only three of these LDUAs are still operational.



LDUA shop attendant selling drugs to a pastoralist at Rhamu

The above model was developed in conjunction with the Arid Lands Resource Management Project (ALRMP)- under the umbrella of the Office of the President, they are charged with the effective implementation and monitoring of development projects in ASAL areas. Hence ALRMP has overseen the implementation of the EDRP and in turn the establishment and running of the LDUAs.

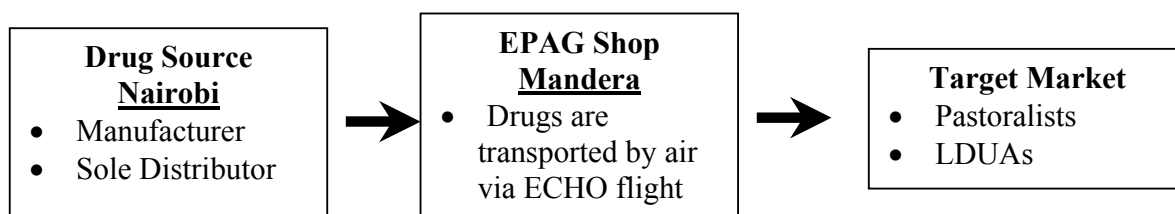
A sub-committee of the ALRMP, the District Steering Group-DSG, which is made up of government officers, and several NGOs is charged with the task of overseeing the implementation and impact of projects at district and locational levels.

Comments:

The model was initially largely donor driven, though a sustainability initiative was introduced later in the program, the evident failure of most of the associations was attributed to the lack of business initiative in the model's inception.

2. Emergency Pastoralist Assistance Group (EPAG –UK/Kenya) Established in 1992, EPAG specializes in the provision of animal health services as well as a wide range of initiatives in sanitation, water supply and education. EPAG recently established a veterinary drug shop in Mandera³. The shop primarily targets Community Animal Health Workers who have been trained by EPAG as well as other organizations and the pastoralists from Mandera and its environs.

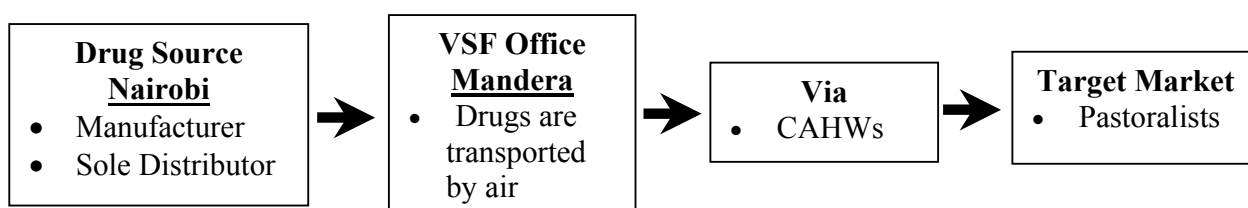
The shop operates at full cost recovery with a reasonable margin to cover the costs of operating the shop.



Comments:

Though relatively successful, Initial indications are that the program does not form part of the core functions of EPAGs activities hence the evident low investment in its expansion and replication in other parts of the district. It was also noted that most of EPAGS activities were concentrated in Somalia.

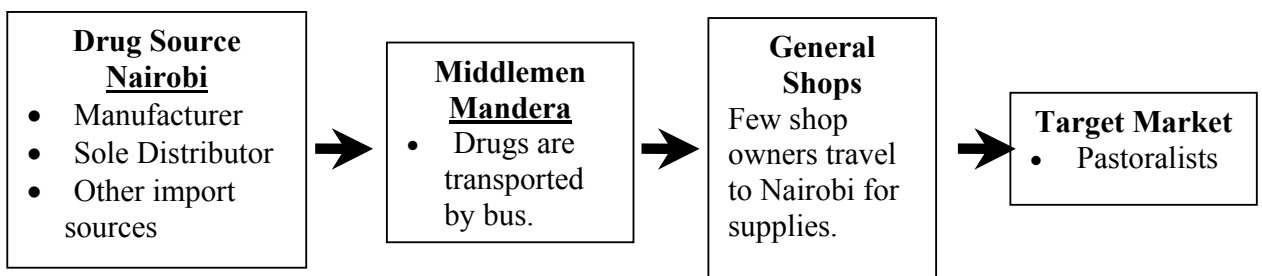
3. Veterinaires Sans Frontieres-Suisse (VSF-Swiss). Have undertaken a project that supplies subsidized drugs to the pastoral communities using Community Animal Health Workers (CAHWs) who are trained by the same project. The project which has been in operation for about one year is in the process of putting in place a cost recovery component aimed at sustainable delivery of animal drugs, though by the time of the study about 50% of the costs of drugs were still being subsidized.



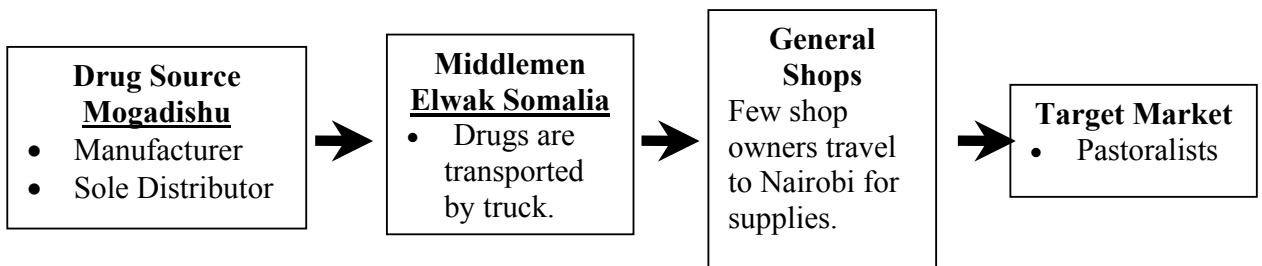
Comments:

This initiative can be lauded as having incorporated components that positively impact on both availability of quality drugs as well as the use of trained animal health service providers (CAHWs). Unfortunately the program implementation strategy has distorted the market prices of drugs in the District, a situation that will hopefully be contained when VSF implements its full cost recovery phase of the initiative later in the year.

4. Privately Run Enterprises (Similar to the Duka Model) – Kenya. It was interesting to note that numerous shops in all of the major towns in Mandera District stock and sell livestock drugs of one type or other along side other consumer goods. This is a clear indication of a ready demand for the drugs. Most of the shopkeepers interviewed indicated that though they don't have any formal training in the handling of drugs, they keep the stocks due to existing demands by the local community. They further alluded to the fact that this was a seasonal business with the highest sale recorded during the wet seasons.



5. Privately Run Enterprises (shops/dukas) – Somalia. Elwak Somalia presented an example of an efficient free market economy, one that is demand driven and lacking in any market distortions as a result of supply of subsidized or free drugs from NGOs. The shops in Elwak Somalia were better stocked and the shop attendants comparatively better qualified. It was also evident that the shops had a wider range of drugs from different countries. Surprisingly some shops stocked drugs manufactured in Kenya and were retailing at about 50% cheaper than their Kenyan counterparts, this was attributed to the fact that export products do not attract Value Added Tax.



Other interested parties in the provision of animal health services in the District include:

I. Northern Region Development Agency (NORDA) Established in 1995– Involved in improving livelihood of pastoral communities, key interests are in animal health services, economic empowerment and child education. The organization has in the recent past been involved in de-stocking initiatives in times of extreme drought; they are currently assessing opportunities for business oriented animal health services delivery. NORDA estimates that in the last 10 years more than 200 CAHWs have been trained in the whole district by different institutions under different programs, though the only CAHWs who seem to be active are the ones operating under the umbrella of VSF. In some cases the CAHWs working with VSF are picked from CAHWs who had received training earlier, these are then retrained by VSF.

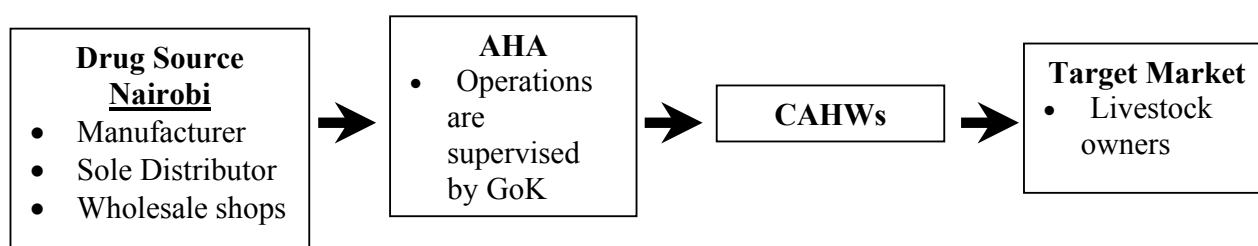
II. Department of Veterinary Services – The government is currently not involved in the delivery of any animal health drugs, the District office has been relegated to play a supervisory role with the support of actors and stakeholders operating in the sector. It was observed that the DVS staffs have absolutely no access to drugs and that the government has not supplied drugs in the recent past.

It was reported by the DALEO that the livestock owners who are too far to access AHS usually seek the assistance of traditional healers though quantitative data on this could not be obtained⁴. A visit to the Mandera market revealed that market stall and kiosks play an important role in the distribution of livestock drugs, almost all stalls had some stock of drugs.

Other Existing Models

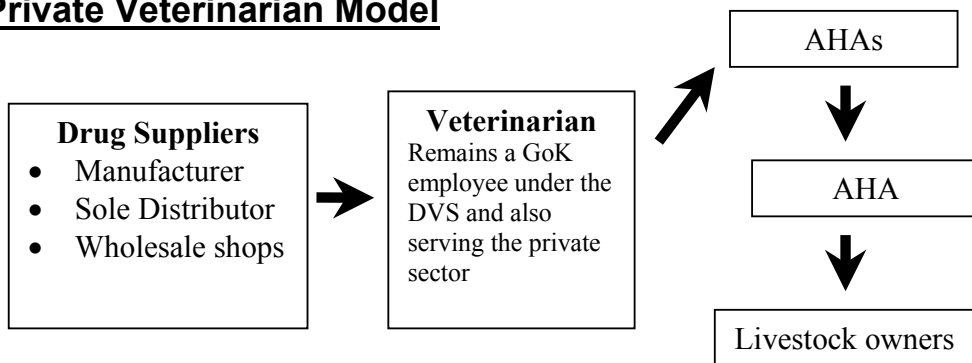
The desk study revealed several other models that have been floated and in some cases tested, these include:

AHA Model



In this model the AHA purchases drugs and sells to the CAHWs who in turn sell and administer the drugs to livestock owners.

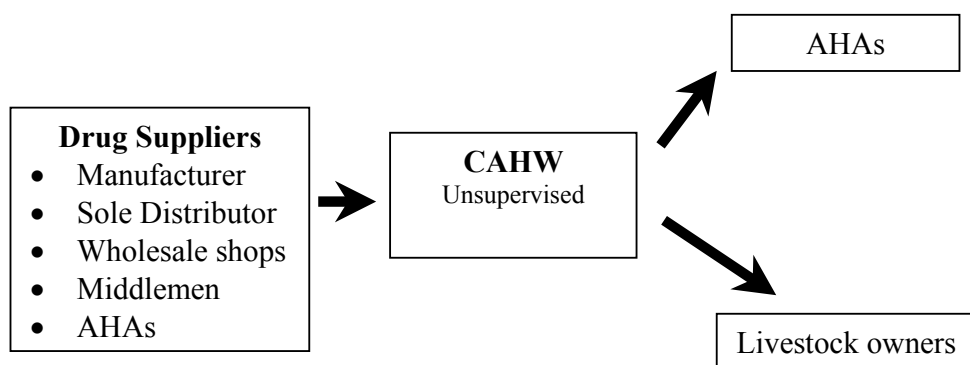
Private Veterinarian Model



This model positions the Vet. at the hub of the delivery system, with the Vet selling drugs to AHAs who then sell to the CAHWs and finally to the livestock owners. Its down side is that it assumes that vets would be willing to work in ASAL areas, which is not the case. It also assumes that affordable credit will be availed to finance the business.

The independent CAHW Model

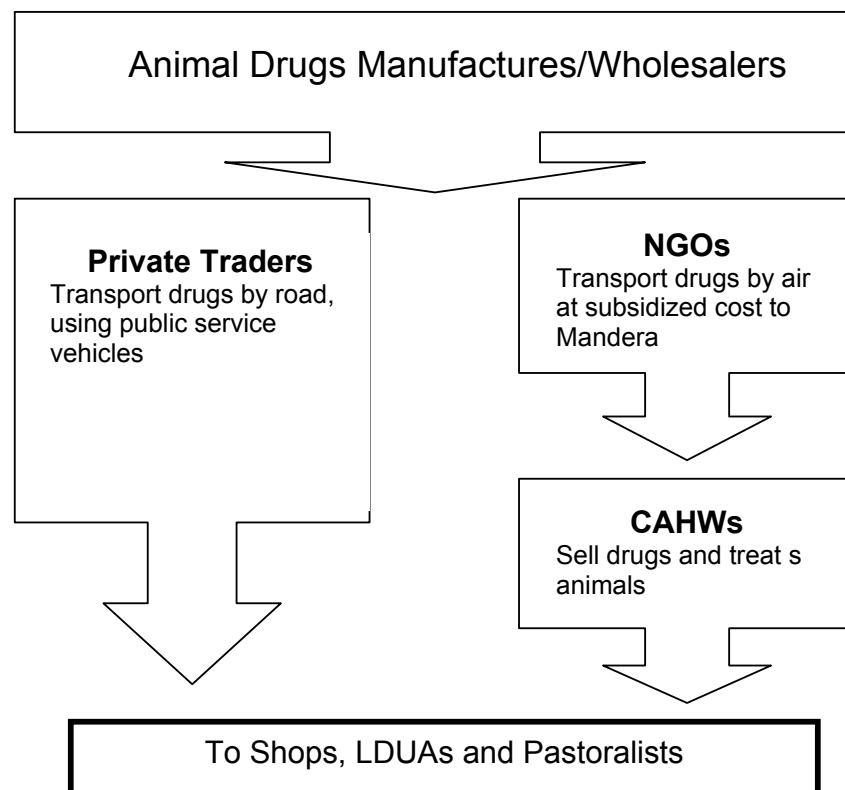
Finally CAHWs independently source drugs and provides AHS to livestock owners without any official supervision.



4.3 Summary of Existing Drug Supply Chain in Mandera

The main sources of animal drugs sold in the district originate from manufacturers and wholesale enterprises in Nairobi, with the exception of Elwak Somalia, which has an eastern corridor to the Middle-East, Asia and Europe from where most of their drugs are sourced. It was established that minimal quantities of these drugs are imported from neighboring Somalia into Kenya.

- NGOs through CAHWs have been supplying animal drugs to pastoralists, for example VSF and EPAG.
- Private traders also supply kiosks and consumer stores in most parts of the district.
- The main mode of transport to Mandera is by public service vehicles, there is one bus that travels daily to Mandera while another travels to Nairobi, these are used to transport small shipments of drugs.
- It was indicated that a truckload of goods from Nairobi to Mandera would cost approximately KSh. 60,000. While a passenger travelling to collect small quantities by bus would spend about KShs. 8,000 on transport for a round trip that takes about four days.
- Though the NGOs supplying animal drugs in the district often use the services of Echo Flight, a European Union charter that has regular flights to Mandera, this mode of transport is heavily subsidized and would not be a viable option to inexpensively transport the drugs.



4.4 Advantages and Disadvantages of Various Privatization Models

Model	Points For	Points Against
LDUAs	<ul style="list-style-type: none"> • The whole community identifies with the project • Empowers the local community through involvement in development 	<ul style="list-style-type: none"> • Abuse of office is possible due to emphasis on tribal/village elders opinion and not business knowledge. • Is not sustainable due to reliability on common vision that is hard to foster.
Kenya - Dukas	<ul style="list-style-type: none"> • Established through available gaps in the market. • Depends totally on market forces. • Uses an established drug supply chain. • Is able to employ own resources for marketing and expansion. 	<ul style="list-style-type: none"> • Are not mobile and therefor are not able to keep up with the pastoralists. • Shop keepers and owners lack relevant training in veterinary medicine, as such they are unable to advice customers on drug us.
Somalia - Dukas	<ul style="list-style-type: none"> • Depends on an efficient free market. • Establishment is purely demand driven. • Limited or no trade restrictions. 	<ul style="list-style-type: none"> • Political and economic insecurity. • No control in the quality or source of drugs.
VSF –Suisse Mander	<ul style="list-style-type: none"> • Use of CAHWs improves access to drugs by livestock owners. • Training of CAHWs equips them to provide improved services. 	<ul style="list-style-type: none"> • Is not sustainable unless AHS delivery is made at full cost recovery. • Maintains donor dependency by CAHWs. • Distorts and undercuts the market for established private shops.
EPAG Mander	<ul style="list-style-type: none"> • Provides value-added services to pastoral communities who receive emergency aid and other development projects. 	<ul style="list-style-type: none"> • Too centralized, operates only in Mander town. • Transports costs are subsidized by donor funds. • Has no growth drive • Is not actively involved with CAHWs
Private Vet.	<ul style="list-style-type: none"> • Ensures control of drug use. • Provides a better vehicle for disease monitoring and vaccination campaigns. 	<ul style="list-style-type: none"> • Few Vets are willing to work in extreme ASAL areas. • The low margins from the seasonal sale of drugs are not attractive to the Vets. • Long supply chain makes drugs expensive
AHA	<ul style="list-style-type: none"> • Establishes good contact with livestock owners. 	<ul style="list-style-type: none"> • Relies on inadequate capital base. • Insufficient formal business skills. • Drug supply chain not well developed.
Independent CAHW	<ul style="list-style-type: none"> • Well grounded in the community. • Is better placed to compete with the quacks. • Is free to use competitive suppliers. 	<ul style="list-style-type: none"> • Inadequate capital base. • May encourage trade in poor quality drugs • Not sustainable due to seasonal trade • Insufficient business skills. • Difficult to monitor and control

4.5 Analysis of Existing Market

Seasonality

The study revealed that the sale of animal drugs is a seasonal business with the exceptions of few pastoralists who herd their animals either near town centres, which have reliable water sources, or near wells, water pans or those near river Daua. Elwak Kenya on the other hand is fortunate to have about 10 wells surrounding the town. Consequently most pastoralists herd their animals around the town even during dry seasons. It was observed that the herders with large stocks of cattle usually move to the Ethiopian highlands for pasture during such dry seasons.

Market size

-VSF has been able to sell drugs worth an estimated KShs. 450,000/- monthly in Mandera

-EPAG sells an estimated KShs.150,000/- worth monthly (Mandera town).

-Elwak-Kenya traders sell an estimated KShs.100,000/- per month.

-Takaba traders at peak sell an estimated KShs.60,000/- per month.

Given the large number of traders in Mandera district dealing in animal drugs, it would be permissible to assume that the project area can comfortably absorb a supply level of approximately KShs. 200,000 in monthly sales, if they are competitively priced, available and well promoted.

4.6 Competition Analysis

Competition for business led approach to AHS delivery would emanate from the following sources:

Donor Activities

Despite the commendable work done in the alleviation of poverty through developmental projects in ASAL areas, it's a known fact that not all interventions are without negative side effects. The delivery of animal health services is no exception. Preliminary observations indicate a trend towards donor project reliance for the delivery of this much-needed service. The result is a distorted market in which private enterprise development can be curtailed through the distribution of free or subsidized livestock drugs by donor organizations.

Consequently stringent policies need to be put in place to ensure that even during periods of drought such products are not distributed free of charge as this undermines the existence of a market driven livestock drug enterprise. Alternatively other complementary businesses that would boost the pastoralists purchasing power should be supported e.g. the sale of livestock and livestock products.

Private Shops

Given the fact that most shops stock livestock drugs, outlets that are established through the support of OAU/IBAR must take into account the types and brand of livestock drugs that are currently in the market in the District. These shops can be said to be the key

competitors as they are operating in an open market economy without external support. The edge that the projects outlets would have over the existing shops will have to be based on price, quality, availability and bundled supportive services for intermediaries and customers e.g. links with CAHWs.

The possibility of pastoralists accessing cheap drugs from Somalia should also be put into consideration. A careful competitive analysis needs to be undertaken during business planning for such a business at Elwak and Takaba.

Product Awareness

Due to the District's location near the borders of two countries, the supply of drugs is fairly uncontrolled with drugs coming from a myriad of sources making their way into market. Although most of the traders take advantage of a largely illiterate and semi-illiterate pastoral community who cannot distinguish between branded, generic and counterfeit drugs. Most traders interviewed insisted on the brand names, they did not scrutinize the package to ascertain facts such as the origin. For example some traders were asking for a Cooper Kenya product that was in short supply and could only describe it by the colour of packaging.

It is difficult to have an upper hand in the market just by selling high quality and trusted brands because such drugs have to compete with the generics and counterfeit drugs available in the shops. The market should therefore be informed on how to identify genuine drugs.

Government Supplied Drugs

The government has not supplied any drugs in the recent past supplied any drugs either for sale or free of charge, with the exception of vaccination campaigns. Should the government policy on the provision and supply of livestock drugs change with a leaning towards the supply of subsidized drugs, then viability of a business-like enterprise providing similar services would be adversely affected. The current economic situation would however preclude such a shift in policy.

Livestock Drug Users Associations

As earlier mentioned several LDUAs were established in the district with most of them benefiting from other donor support services e.g. Takaba LDUA's livestock drugs shop has a water tank constructed the support of the Community Development Trust Fund (CDTF). These LDUAs had established intricate management structures consisting of "grassroots" based locational management committees with representations drawn from the village level.

It will therefore be imperative to gain the support and backing of the communities in whose location such a project is planned. The support of the locational management committee is needed for the program to gain acceptance, as this is the same community in which the CAHWs will be expected to serve and operate in.

Veterinaires Sans Frontieres-Suisse (VSF-Swiss).

Though running a program that aims at providing similar services. VSF-Swiss field staff interviewed during the study alluded to the fact that this program may come to an end by the end of the year 2001. They are therefore in urgent need to put in place an exit

strategy. This may present a timely collaborative opportunity for OAU/IBAR to take over some of the activities already initiated especially with regards to creating a supply linkage to the already trained CAHWs.

VSF-Swiss's project is extended, it would be vital for OAU/IBAR to initiate discussion aimed at stemming unnecessary competition and also to eliminate the risk of duplicating the services offered.

As earlier stated the Emergency Pastoralist Assistance Group's project operation is mainly concentrated in Somalia away from the planned project area they are therefore not likely to be competitors. Oxfarm-UK, and the FAO are concentrating on emergency assistance and are not expected to provide any competition on AHS business.

4.7 Pricing

It was established that there was very small disparity between prices of similar products being sold in the same town. The drug store should plan to adopt fair trade practices by encouraging the sale of drugs through un-exploitative pricing. Retail prices should be the same whether from a CAHW over the drug store counter. This should also help to boost consumer confidence and enhance sales through CAHWs.

4.8 Risks and uncertainties

- The case of LDUAs if not well addressed may present a barrier to entry in certain locations especially if LDUAs still hold strong to the revitalization or the continuation of their role e.g. in Takaba.
- Persistent and erratic drought can play havoc on the stability and sustainability of the business, resulting in seasonal demands, a strategy aimed at balancing-out the high and the lows needs to be developed during business planning and incorporated in the business before commencement of the project.
- Poor infrastructure is also a major impediment not just for the easy movement of CAHWs but also for the supply of drugs to the identified outlets at Elwak and Takaba.
- Insecurity is synonymous with most parts of the northern region of Kenya, or so we thought. During the study it was evident that Mandera District was a victim of 'insecurity syndrome'. At the time of the survey TNS established that this was one of the few Districts in the region where one need not travel with armed security escort. Insecurity though currently under control cannot be totally ruled out. It would be prudent to put in place during business planning, some disaster preparedness/recovery program should insecurity become a problem.
- Any NGO whose intervention involves the provision of animal health services is required to have its program thoroughly vetted by the District Steering Group, which is charged with evaluating the performance of development initiatives in the district. This helps to screen projects and identifies those intending to introduce the supply of subsidized or free drugs.

OAU/IBAR should consider taking the lead in creating awareness at the district level on the negative effects of the “donor dependency syndrome” that has resulted from projects that do not have strong sustainability considerations.

4.9 Statutory Provisions for Animal Health Services Delivery

The legislation under which AHS is delivered falls under several Acts of Parliament and are implemented by several mainly government institutions, The Director of Veterinary Services, The Kenya Veterinary Board, The Pharmacy and Poisons Board, The Pest Control Board, Kenya Bureau of standards and Animal Welfare are some of the policy implementing organs.

The above institutions are in the process of working towards a harmonized mega-policy that would pave the way for an enabling environment for the delivery of AHS in a liberalized economy. Consequently a business providing AHS will have to comply with all legislation provided under each institution.

The KVB is in the process of instituting a policy shift that would among other issues:

- Allow for any employed vet. whether GoK or otherwise to operate a part time practice
- Allow ambulatory services by veterinarians country wide (offering mobile services)
- Inclusion of the animal health technicians (AHTs) in the veterinary surgeons act
- Allow veterinary surgeons and AHTs to stock and distribute drugs
- Allow veterinarians and AHTs to trade in livestock and livestock products.

Given the forgoing there is need for lobbying at the highest level possible to ensure the inclusion and recognition of CAHWs as service providers who are filling the gap controlled in most cases by quacks.

To register and run an animal drug store one must either be a qualified veterinary doctor, pharmacists or a diploma holder. NORDA has already identified a qualified Vet. Dr. Zubo from Garissa who has consented to the use of his license for the operations of the proposed shops.

V PROPOSED BUSINESS MODEL

5.0 Proposed Business System Preamble and Organogram

In the quest to develop or evolve a commercially viable delivery model one would need to take into account the weaknesses of the existing models and understand the basis upon which they were developed. Some of the weaknesses in existing models have been inadequacies in various aspects of sustainability and efficiency (refer to table in section 4.4 and workshop synthesis report). However, despite such weaknesses, existing models offer a rich source of information on lessons learned.

The proposed model will therefore include their positive aspects while at the same time taking advantage of their weaknesses and changing these into strengths. This will be coupled by pulling together a unique combination of business success factors. It will also borrow from markets that have little or no government control, for example the Somalia scenario whose operations seems flawless despite the absence of donor or government support.

The proposed model therefore incorporates the following success factors:

1. The business should operate at full cost recovery for sustainability and display a market driven process
2. Use the available commercial modes of transportation to procure its drugs from Nairobi.
3. Improve the integration of CAHWs into the business system and look into the harmonization of CAHW training aimed at improved service delivery.
4. Ensure legal compliance of the business model to set out laws as they stand currently e.g. Include professional supervisory role of a registered veterinarian and use an AHT to be a part owner – manager.
5. Emphasis the need for CAHWs to return a profit not just for themselves but also to the drug store as a motivation factor forming part of an incentive program.
6. Include a periodic monitoring and evaluation component that ensures efficient relay of required data through CAHWs and assess the performance of the business.
7. Develop a model that demonstrates a strong sense of ownership and acceptability by key stakeholders, especially livestock owners and veterinary institutions.
8. Develop a model that is suitable for ASAL areas and depicts efficiency and quality delivery of AHS from drugs procurement to service delivery at the community level.

5.0.1 MODEL JUSTIFICATION:

From a purely legal standpoint the Veterinary Surgeons Act Cap 366, which repudiates AHTs and CAHWs from veterinary practice and the Pharmacy and Poisons Act Cap 244 which prohibits veterinarians from dealing in drugs, are fundamental stumbling blocks to the development of a private AHS delivery model. Recent indications from both KVB and KVA at various fora hints at the possibility of these two Acts being reviewed to accommodate para-veterinarians such as AHTs and diploma holders.

Consequently the inclusion of a middle level para-veterinarian is recommended. Because few veterinary doctors would be willing to set up practices in marginal areas, the use AHTs is seen as the next best option.

Activity/Description	Strengths	Weaknesses
Drugs procurement	<ul style="list-style-type: none"> • Drugs are from authentic and reliable sources. • Discounts and possible credit arrangements may be negotiated. • Stocks can be replenished easily and quickly. • Drug store may benefit from manufacturer's promotion campaigns. 	<ul style="list-style-type: none"> • Not all manufacturers may be willing to offer discounts especially if their business is well supported by outlets in the more productive areas.
Transportation	<ul style="list-style-type: none"> • Is reliable and frequent especially for buses. • Transport costs can be negotiated with vehicle owners. • Small orders can be procured 	<ul style="list-style-type: none"> • Trucks and buses may be subject to unofficial expenses by police along the way thereby increasing the landed cost of the drugs.
Shop Management Structure	<ul style="list-style-type: none"> • Draws investment capital and other resources from several sources thereby maximizing it strengths and spreading the investment risks. • Business will benefit from professional skills of all partners. • Accountability will be easily fostered as the management is answerable to the owners. 	<ul style="list-style-type: none"> • Partnerships have been known to be short lived as compared to limited liability companies. To stem any break-up leading to dissolution of the business, NORDA should seek to build a strong relationship among the business partners.

<p style="text-align: center;">CAHWs Service delivery</p>	<ul style="list-style-type: none"> • CAHWs offer the best drug sales and distribution network as they travel with the pastoralists. • Assigning specific areas of coverage gives individual CAHWs the opportunity to maximize on their sales. • The model seeks to harmonize AHS delivery by involving existing LDUAs in its network. 	<ul style="list-style-type: none"> • Because CAHWs will still be expected to walk on foot throughout their area of operation, their effectiveness performance may still be hampered. Especially if they have to travel very far to administer drugs that may have a low margin of profit.
<p style="text-align: center;">Strategic Partnerships</p>	<ul style="list-style-type: none"> • The involvement of NORDA in the ownership brings on board elaborate business and financial management tools that will benefit the monitoring and evaluation component of the program. 	<ul style="list-style-type: none"> • The chances of misconception by business partners of readily available donor support should the business experience challenges

Assumptions:

The equity levels have been arrived at using the average sales made by the shops at Elwak as well as past data on the performance of LDUAs leading to an estimated monthly sales of KSh.200,000/- during the peak season (wet seasons), this would be perceived to be good sales levels that can sustain the business.

The share contribution will assist the business have a positive cash flow from the onset of business.

Notes to proposed model Chart:

1. Drugs Source Nairobi

In order to take advantage of economies of scale, the drugs to be supplied to the drug store should be sourced either directly from manufacturers or from sole distributors. It was noted that some pharmaceutical companies are willing to make concessions for a project that may open up the market for products by giving attractive discounts e.g. Twiga Chemicals Ltd.

These being from reliable sources, the drugs will have an edge in the market as well as sell affordably, a much-needed competitive edge over drugs supplied from other sources by both regular shops and quacks. The importation of drugs would not be warranted due to uneconomically low volumes. The Best mode of transport would be the existing buses and trucks that ply the Manderu - Nairobi Road.

2. Livestock Drug Store

The drug store is best constituted as a business entity registered preferably as a limited liability company, under the law of Kenya.

Business Ownership

Due to the current legislation which limits the registration and operation of animal drug stores to either veterinarians, pharmacist or trained animal health technicians (diploma holders), the shop will be owned and run by two (2) qualified AHT in partnership with two (2) interested investor), one each from Somalia and Kenya respectively.

In order to inculcate ownership of the business several partners have been considered for inclusion in the ownership structure as follows:

(Equity Business Partners)

NORDA	90,000/-	15%
CAHWs, 10 in number	60,000/-	10%
Business investor from Kenya	75,000/-	12.5%
Business investors from Somalia	75,000/-	12.5%
AHT from Kenya	150,000/-	25%
AHT from Somalia	150,000/-	25%
Total	600,000/-	100%

Being a start-up business, it is unlikely that the AHTs or the CAHWs will be able to raise the required equity, a credit scheme that includes a favorable payment period should therefor be worked out with the support of a business facilitation partner.

In order to ensure commitment to the success of the project both AHTs and the CAHWs could be asked to contribute at least 10% and 20% of their equity in an initial cash down payment respectively. That is KSh. 15,000/- for AHTs and 1,200 for CAHWs. The business investors from Somalia and Kenya (Investors) will be required to pay up 50% of their equity in cash i.e. KShs.37,500/-.

A credit facility for startup capital will only cover the initial stock of drugs that will subsequently be replenished through sales turnover. The profits are then ploughed back until the business recoups 100% of its investment. Due to the extreme and fairly unpredictable operation conditions, the AHTs and CAHWs should be accorded a three-to six-month grace period.

Selection criteria for the AHTs and investors may include proof of knowledge of the project area, though the ability to raise some level of equity would have been the best yardstick, unfortunately, if this was the case, few AHTs and CAHWs would qualify.

NORDA will provide the AHT with a franchise-like business package to ensure a proper management and financial system is put in place. This may take the form of a turn-key business that will have clearly defined operation systems and sales targets, while at the same time assisting the facilitator, to access information on the business performance and disease trends at a fee.

Through the support of NORDA, the DVO should play a supervisory role, especially in the treatment of complex cases as well as keeping the business abreast with current government policy e.g. vaccination campaigns.

3. CAHW – Micro Enterprise

These will form the backbone for service delivery in the whole model. The role of CAHWs in past models has been underrated or downplayed. This oversight has been minimized through the development of a “**CAHW centred AHS Model**”. As a result Several stages of training and capacity building activities will be conducted by NORDA in order to ensure the success of the business and exploitation of the full potential of CAHWs.

In identifying eligible CAHWs who would best fit a business-type model the following would be the stages of screening and training to be undertaken prior to the establishment of the livestock drug store. The following are the steps may also be used in identifying the AHTs and Investors who will participate in the program:

Business Opportunity Training Targeting CAHWs participation

This is a one-day training that aims at inculcating and identifying who among them possesses business drive and initiative. They may also under go a self-evaluation excise that helps them identify what it takes to succeed in business. A selection criterion may be put in place at this stage to identify those who qualify for further involvement in the program

Business Management Training Targeting Participants who will have been shortlisted

This will be a three-day training that aims at defining the AHS delivery systems and the business approach as well as basic training in business management. The participants will be encouraged to look at his role and activity as a business. (Some participants may opt to drop out at this stage if they don't identify with the ideals of the model).

Business Investment Training Selected Participants

Will aim at stressing the importance of owning the animal drug store and the benefits of owning shares. This may also include the establishment of a formal group of CAHWs. The investors training will concentrate on return on investment.

CAHW Training Selected CAHWs

Following the above business oriented training NORDA win collaboration with the KVB and VSF-Swiss may then introduce and facilitate refresher courses in animal health services.

4. Pastoralists

The livestock owner is the target market for the CAHWs, they are the ones that the CAHW must understand in terms of purchasing power, purchasing behavior, trends, choices and preferences. Due to the arid nature of the project area the CAHWs must also have a very good understanding of their business success factor, migration patterns, and the seasonality of the business.

NORDA should lobby among the existing LDUAs to ensure that this new program arrangement is acceptable to them. NORDA will therefore be expected to read the mood of the local community to determine their perception and understanding of the program. A training to sensitize the management of the LDUAs may also be developed in order for the program to gain acceptability.

5.0.2 STRATEGIES FOR IMPROVING PERFORMANCE OF CAHWS

CAHWs to be given preferential treatment at the drug stores by the AHTs including cash and/or quantity discounts on drugs, and to be paid for vital information on disease outbreaks and trends at reasonable rates.

Continuous assessment of individual CAHW performance may be undertaken by the AHT to include rewards for outstanding performance as a motivational tool. This may include a "CAHW" of the month/quarter. Prizes may include, further discount on products purchased.

Regular refresher training should include sessions on business development coupled with motivational talks to encourage the CAHWs and stress their importance in the success of the drug store and the project at large

At the end of every year of business the drug store should pay-out dividends from its profits in order to encourage CAHW loyalty to the business process.

5.0.3 CRITICAL BUSINESS SUCCESS FACTORS

1. The facilitating partner in the overall program must develop a comprehensive business plan accompanied by a business package that would read like a franchise complete with sales targets, expected returns on investments and an overall goal.
2. The selected AHT and Investor should be one who is socially minded as well as have an acceptable level of business acumen. Expectations should also be clearly outlined from the onset, in order to avoid future reliance on donor funding should the business run into difficulties that are directly related to the nature of business.
3. Availability of a credit facility to equip the shop and CAHWs with nominal interest rates for a favorable period. Information available is that K-Rep has indicated their interest in extending credit scheme activities in Mandera and other ASALs.
4. Another major success factor is the inclusion of a secondary commercial activity that complements the sale of drugs to bolster the low level of cash in circulation in Mandera. Economic activities tend to oscillate between the sale of livestock and livestock products. Unfortunately this has not been exploited and may have the potential to act as a catalyst for increased demand for AHS. Investigation into the potential for pastoralists engaging in the harvesting and trade in gums and resins should also be looked into.
5. It may be necessary for NORDA to develop and assist the AHT to administer Participatory Rural Appraisal (PRA) tools in order to assist local community identify with the objectives of the project and also enable the donor to develop output indicators to be measured.
6. In order to improve the performance of the business and its effectiveness the AHT may contract a Vet from within the district or surrounding district for second opinions or client referrals at a fee to be agreed upon.
7. It is important to note that, the capacity of the organization implementing the project on the ground will also have to be developed to be business-like. The following questions will then have to be answered by such an organization:
 - Does it have the skills and motivation, personal ownership and working culture to enable them to work in a business like manner?
 - Is its legal and operational structure one that allows organizations to behave in an entrepreneurial way?
 - Are the internal systems appropriate, e.g. payment structure, performance systems and cost control.
 - Will the product/service pricing be fed by accurate cost information and consistent with longer-term sustainability.

PROVIDER ROLE (NORDA)

- Identify CAHWs trainees
- Conduct business opportunity seminar
- CAHWs Training
- Purchase field reports from CAHWs for facilitator.
- Monitor performance of CAHWs
- Facilitate the DVO's linkage to AHT operations.
- Business-like approach.

FACILITATORS ROLE (OAU/IBAR)

- Define BDS tasks for NORDA
- Capacity building of NORDA
- Training of Trainers
- Develop training material for NORDA's CAHWs training , in conjunction with other stakeholders e.g. Micro-enterprise support organizations , KVAPS etc.
- Purchase monthly reports from CAHWs. Through teh shops.
- Liaise with GoK/ DVO, other partners on project progress.
- Facilitate market linkages
- Business creation and monitoring systems

ELWAK (K) DRUG STORE

DISTRICT VETERINARY OFFICERS ROLE

- Facilitate disease control programs through vaccinations in collaborations with CAHWs on the ground.
- Assist in disease monitoring and surveillance
- Carry out complicated surgical procedures.
- Inform livestock owners on importance of disease control and proper use of drugs.
- Provide back up services to the CAHWs for complex cases i.e. to provide referral services.
- CAHWs
- The DVO could also provide the much needed supervisory support especially as regards the training of CAHWs and ascertain compliance with recommended ethical practice.

AHT & CAHWs ROLE

- Manage the drug store and trade in drugs and other agroveterinary supplies so as to cover all costs and return a profit to the business.
- Inform livestock owners on importance of disease control and proper use of drugs.
- Ensure animals are treated adequately and a high standard of practice is established in the process.
- Assist in disease surveillance, monitoring and reporting.
- Provide relevant information animal movements and their conditions.
- Business-like approach

5.1 Financial Viability Overview-

A case for a complimentary Income Generating Activity

Although TNS did not come across reliable quantitative data in the field on the costs of drugs, we compiled several price lists from manufacturers, importers and wholesalers of livestock drugs in Nairobi. This assisted us in a quick assessment of margins relating to selling prices in Mandera, though this will be analyzed in detail in the business plan, an overview of the expected financials are discussed below.

Information obtained from VSF in Mandera indicates that sales of up to KSh. 450,000/- can be realized in a month through CAHWs. Coupled with other players in the market i.e. dukas, drug stores and the functional LDUAs the district's market size can be estimated at about KSh. 800,000 per month during the wet seasons. The project area would have a market size of about KSh.200,000/- this is based on the sum of the number of shops, approximately 60 kiosks (Elwak and Takaba), in the area selling drugs, multiplied by the average monthly gross sales (KSh.3,000 – 5,000). During the first six months sales may be lower than anticipated at about 50% of the estimated market size.

Projected Income Statement for year 1

	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>	<i>Total</i>
<i>Net Sales</i>	<i>300,000</i>	<i>300,000</i>	<i>450,000</i>	<i>600,000</i>	<i>1,650,000</i>
<i>Less: Purchases</i>	<i>240,000</i>	<i>240,000</i>	<i>360,000</i>	<i>480,000</i>	<i>1,320,000</i>
<i>Gross Profit</i>	<i>60,000</i>	<i>60,000</i>	<i>90,000</i>	<i>120,000</i>	<i>330,000</i>
<i>Less: Rent</i>	<i>15,000</i>	<i>15,000</i>	<i>15,000</i>	<i>15,000</i>	<i>60,000</i>
<i>Salaries</i>	<i>36,000</i>	<i>36,000</i>	<i>36,000</i>	<i>36,000</i>	<i>144,000</i>
<i>Operating expenses</i>	<i>9,000</i>	<i>9,000</i>	<i>9,000</i>	<i>9,000</i>	<i>36,000</i>
<i>CAHWs Discount 5%</i>	<i>15,000</i>	<i>15,000</i>	<i>22,500</i>	<i>30,000</i>	<i>82,500</i>
<i>Transportation costs</i>	<i>15,000</i>	<i>15,000</i>	<i>15,000</i>	<i>15,000</i>	<i>60,000</i>
<i>Total expenses</i>	<i>90,000</i>	<i>90,000</i>	<i>97,500</i>	<i>105,000</i>	<i>382,500</i>
<i>Profit before tax</i>	<i>-30,000</i>	<i>-30,000</i>	<i>-7,500</i>	<i>15,000</i>	<i>-52,500</i>
<i>Profit</i>	<i>-10%</i>	<i>-10%</i>	<i>-3%</i>	<i>3%</i>	<i>-3%</i>

Assumptions:

1. The monthly drugs sales are Sh,100,000, 100,000, 150,000 and 200,000 in each respective quarter. The low figures in the fast six months is anticipated because the business will be starting its operation during the dry season(January to July 2002).
2. Profit margins are assumed to be 15% for the business and 5 % for the CAHWs.
3. Only the two AHTs are assumed to be salaried owner-managers, they are paid 6,000/- per month each.
4. Operating expenses are put at 3,000/- per month (considered realistic at this level of business activity). , to cover the business running expenses.

5. CAHWs are to be paid a commission of 5% of their respective sales. The figure is conservative considering the low margins on drugs, which range from 10%-20%.
6. Transportation costs from Nairobi to Elwak by bus are estimated at 15,000/- per single shipment per quarter.

The above projections would be typical of a business in its first year and the losses recorded should not be misconstrued as a business failure. From these projections it is evident that this is a volume-based business and one needs to sell large quantities to break-even. At the above assumed business expenses level, the break-even quarterly sales should be at KSh. 500,000.

In order to improve the business's cashflow position, its management needs to negotiate for favorable trade terms, which should include discounts of between 25% to 30%.

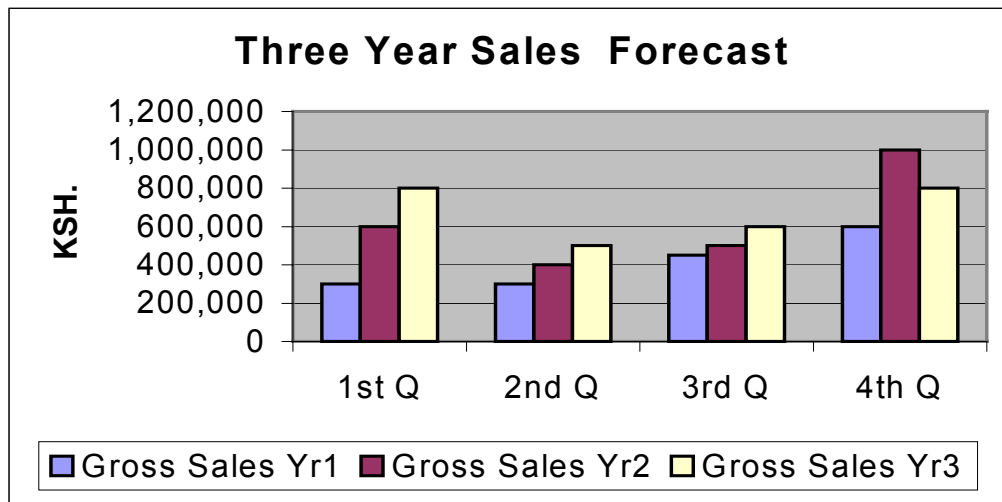
The ideal level of sales would be at about Sh.300,000 per month which would yield an estimated profit before tax of Sh.20,000 per month.

A Medium Term Outlook

	1st Year	2nd Year	3rd Year
Gross Sales	1,650,000	1,650,000	1,650,000
Less: Purchases	1,320,000	1,320,000	1,320,000
Gross Profit	330,000	500,000	540,000
Less: Rent	60,000	60,000	60,000
Salaries	144,000	144,000	144,000
Operating expenses	36,000	36,000	36,000
CAHWs Discount 5%	82,500	82,500	82,500
Transportation costs	60,000	60,000	60,000
Total expenses	382,500	425,000	435,000
Profit before tax	-52,500	75,000	105,000
% Profit	-3%	5%	6%

From the above it is evident that the drug store will need to have a reasonably high stock turn-around in order to operate at above the breakeven sales volumes of KSh. 500,000 per quarter, which works out to about KSh. 167,000/- per month.

It is also evident that the return on investment is a little less than attractive, there is therefor need to include a strong sales campaign that would rollout large volumes of drugs that will make the business viable. Optimum levels of sales should be attained at about 800,000/- worth per quarter i.e. above 250,000/- per month.



It is therefore evident that the above profit margins suggest the need to improve the drug store's profitability by introducing a complimentary business that would run harmoniously with the drug sales.

Mandera as a whole is rated as one of the poorest districts in the country with 55.3% of the population classified as poor⁵. Economic activities in the district are centred around the trade in livestock and livestock products through which 90% of the population derives its income. According to the District Development Plan 1997-2001, Out of a total labour force of 124,437 wage employment and the self employed only account for 21%. Incomes from crop production are also limited to the farmers who have settled along the banks of river Daua.

Income distribution is very uneven with the rich class controlling all economic activities such as wholesale and retail businesses. In most cases these rich few are the sole traders in livestock products and the same group also sells essential grains, sugar and clothing. Consequently the rural areas of the district experience limited cash in circulation, as trade between the pastoralists is uncommon.

The case for a complimentary business activity to be adopted by the animal owners is therefore imperative in order to improve their purchasing power, thereby enabling them to purchase animals drugs adequately. This situation is made worse by the fact that the pastoral community place a lot of value on the size of their herds and as such seldom offer them for sale except during severe drought.

The irony of the livestock trade in pastoral communities is that when the weather is favorable few pastoralists are willing to sell despite the favorable market prices. On the other hand during the dry seasons animals don't attract favorable prices due to the emaciated state of the animals. Therefore either way the pastoralists don't maximize on their return-The reason being that pastoralists do not hold their livestock as assets for economic gain but rather as socio-cultural symbols for which they have sentimental value.

Some of the costs incurred in the livestock trade are listed below:

Description	Estimated Cost (KSh.)
Payment for guards at purchasing points	300/truck
Payment for armed escort	4000/truck
Movement permit plus + Vet certificates	3000/truck
Bribery at road blocks	1000/truck
Grazing fee on arrival in Nairobi	500/truck
City Council Fee + Slaughter Hse fees.	50/head
Transport costs per head	3000/head

Given the stiff competition in the Nairobi livestock market, it is unlikely that livestock from Mandera would have a major competitive advantage over livestock from other parts of the country though the available market offers a ready market, an opportunity that should be exploited by Mandera livestock traders.

Possible Options

Activity	Opportunity	Barrier to entry
Livestock Trade	<ul style="list-style-type: none"> • Ready market in Nairobi. Sale is possible all year round. • Increases cash circulation. 	<ul style="list-style-type: none"> • Hidden costs of transport e.g. police bribes. • Cartels control the Nairobi market. • Trade already exists in Mandera and controlled by few traders. • High initial investment cost. • Requires elaborate management. • Stiff competition from livestock from other parts of Kenya and neighboring countries.
Livestock Products	<ul style="list-style-type: none"> • Ready market for hides and skins in Nairobi. • Bones could be used by pharmaceutical industries and for animal feeds. 	<ul style="list-style-type: none"> • Organizational capacity is lacking. • The hides and skins market in the country has been on a decline.
Trade in hardware & farm inputs.	<ul style="list-style-type: none"> • Supplements income for the drug store. • Evens-out the periods of low drugs sales. 	<ul style="list-style-type: none"> • With little money in circulation their sales will still be constrained.

Trade in Gums and resins	<ul style="list-style-type: none"> Increases the cash base of the pastoralists thereby providing disposable income. 	<ul style="list-style-type: none"> The acacia tree from which the products are extracted are very rare in most parts of the district.
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All the above interventions and possibly others, have the potential to improve the liquidity position of the proposed drug store as well as improve the pastoralists ability to purchase animal drugs.

With the exception of the hardware trade, the rest require separate detailed surveys and sub-sector studies to be conducted in order to determine their suitability as an income generating activity for both the livestock owners and the drug store.

Recommendation:

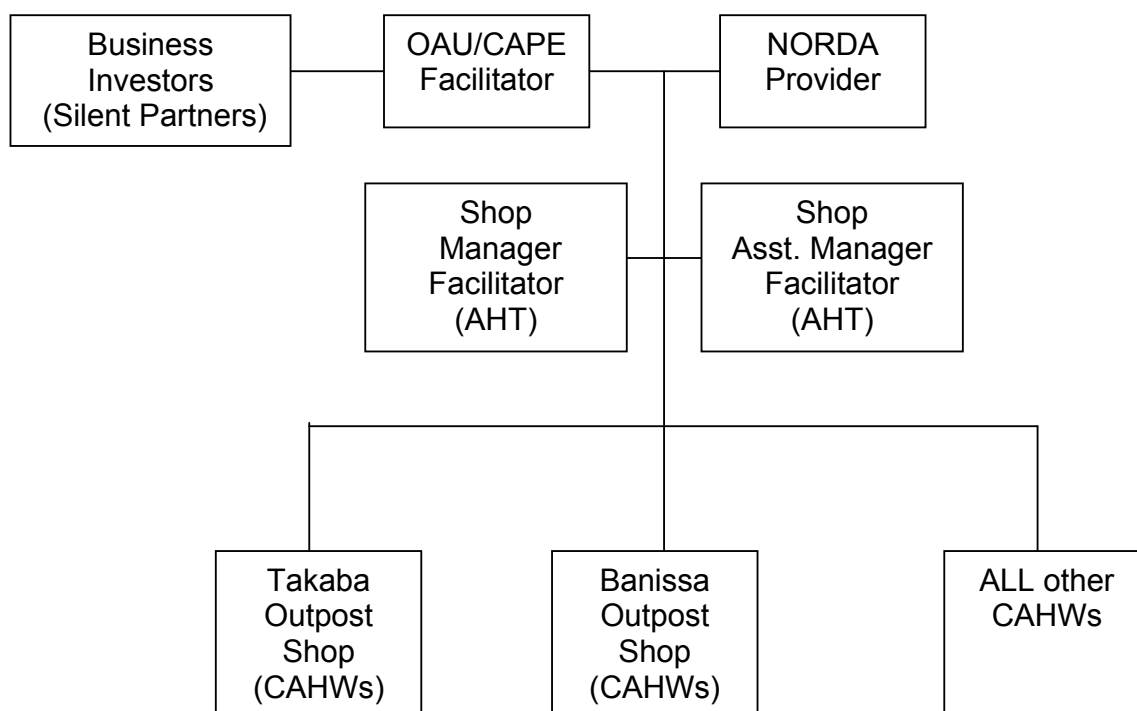
While awaiting further studies and information on the livestock and gums trade as complimentary income generating activities for the drug store, TNS’s recommendation is that a livestock drug store can be viably setup at Elwak-Kenya with two selling points established at Takaba and Banissa for easy reach by livestock owners. The business should be started with a capital base of approximately KSh.600,000/- for optimum stock levels. The only challenge as described earlier, is one of establishing an efficient sales network that would take advantage of bulk purchases resulting in the essential volumes sales required to record an attractive return on investment. If this is achieved it may be unnecessary to introduce a back-up intervention to support the business in the short term.

Though the proposed model suggests a purely market driven process, its establishment requires considerable initial capital and management investment that can only be provided by donor support. A facilitator's role includes capacity building for the stakeholders as well as supervisory and managerial responsibilities of the whole project.

After analyzing the previous models it is recommended that a market development approach would be most appropriate to deliver the required outputs. The market development approach is based on the concept that **facilitators** (OAU/IBAR) are better placed to serve **providers** (NORDA/AHT) by building their capacity to provide business development services linkage to **micro-enterprises** (CAHWs).

The management structure within the business model will ensure that the pastoralists receive sustainable access to drugs and other related services, via a functioning market.

Management Structure



5.2.1 Roles of Key Partners in the Model

Facilitator (OAU/CAPE) - Build the capacity of the implementing institution (Provider) to effectively and efficiently provide the intended services. In this case the facilitator is funded to deliver its services. The facilitator is usually the project promoter and would have been involved in the needs assessment and feasibility study.

Provider (NORDA & AHT)- The provider can be best described as the vehicle through which the project objectives will be realized. Though receiving start-up and capacity building support from donor funds the provider operates under a fully sustainable system from the on set. The provider (via the Facilitator) has direct access to the intended market and client micro enterprises and becomes the contact point as well as the actual executor of the set objectives. Its efficient operation will as a result be the focus of the whole intervention's success.

Micro Enterprise (CAHWs)- Probably the most important piece in the whole puzzle without which the program's benefits can not reach th eintended destinations.. In our case the micro-entrepreneur is the target market for the provider who intends to offer services/products. Though not the end consumer themselves the CAHWs success is purely dependent on market forces. These CAHWs also form a crucial part of the market chain and they are the final deliverers of the services and products. The project's business strength is developed and harnessed at this level because it is at this point that the demand for the services/products is determined. Should there be a shift in demand, the MEs will be the first to conform to such market developments.

Initially, two CAHWs will be appointed to supervise the distribution of drugs in Takaba and Banissa. In the first year of business no payment will be advanced for this activity and it is expected that the services provision generates a profitable return. As business picks up a positive cash flow is expected in CAHW operations.

The CAHW will function as an entrepreneur from the very start of the business. They have to be seen to be willing investors in this business. They will therefor be expected to demand better services from the livestock drug store and in turn they will also be expected to offer improved services to pastoralists.

Participation of DVO- Government participation is important in this project especially with regards to the ongoing legislation amendments. The DVO will therefor be involved to work closely with the CAHWs to ensure the code of practice and legislation is adhered to at all times. This will also play a major role in NORDA's involvement in the ongoing policy amendment discussions by giving insights into lessons learned in the implementation of this project.

Sensitization of Pastoralists -As earlier mentioned the acceptance and ownership of this program may be hinged on the local communities having the right perception and expectation of this program, as such NORDA will be expected to conduct grassroots sensitization meetings with the elders and opinion leaders.

Other important partnerships:

Essential Business Linkages- Like any other business, partnership linkages are essential for favorable terms of trade. On the drugs sales component it is important that the facilitator (NORDA) initiates early negotiation for favorable trade terms with pharmaceutical manufacturers and wholesalers. NORDA should also create a good rapport with the owners of the two bus companies that travel to Nairobi for favorable transport rates.

Arid Lands Resource Management Program- ALRMP as the government department involved in monitoring development projects in ASAL areas should be involved as a development partner in assessing the potential gains of the program. This will also minimize cases of duplicated efforts by other development agencies providing similar but incompatible interventions in the same sector.

VIII ANNEXES

ANNEX 1 SCOPE OF WORK

Terms of Reference For Feasibility Study For Community-Based Animal Health And Participatory Epidemiology (CAPE) Unit

1. Background

CAPE was established in January 2001 as a component of Pan African Programme for the control of Epizootic (PACE) diseases within the Organization of African Unity and the Inter-African Bureau for Animal Resources (OAU/IBAR). CAPE's objectives include 1) development of primary-level sustainable veterinary services in pastoral ecosystems and 2) promoting policy changes and legislation that create an enabling environment for community-based animal health services. In Kenya's North Eastern province, CAPE Unit is working with a local NGO NORDA. One of the outcomes of their partnership so far is a draft project proposal.

The overall objectives of the project are: Improving food security and safeguarding livelihoods of pastoralists in the project area and beyond, by developing an effective, equitable and sustainable method of animal health services delivery applicable to marginal areas of Kenya and Somalia.

2. TechnoServe Kenya (TNS)

TNS is registered in Kenya as an NGO and is involved in promotion of economic development. The mission statement is ***"Business solutions to rural poverty"***. Business promotion is the focus in its two major divisions – Dairy and Business Development & Coast Dairy and Enterprise Development.

Some of the businesses that are encouraged and promoted are:

Rural based milk cooling plants, private veterinary service provision, agro-vet stockists, AI service provision, mobile cart-based enterprises, bakery micro enterprises, food service micro enterprises, milk processing companies and seed stockists. At present the activities are spread in 7 out of 8 provinces in Kenya.

3. The Assignment

CAPE has approached TNS Kenya to provide business development services to a proposed activity for pilot-testing a business-led approach to animal health service delivery. CAPE will utilize the information to make policy recommendations and suggestions for legislative reform in the sector for OAU member countries.

3.1 Feasibility study

TNS proposes to carry out a detailed feasibility study to establish the viability of two private businesses operating as **livestock and veterinary supply stores** that provide animal health drugs to the existing and potential market at two separate sites - El Wak

and Takaba in Mandera district. The feasibility study will include a market survey, analysis of the competition, pricing and supply chain analysis, financial and economic viability analysis.

3.2 Business plan

Following on the outcome of the feasibility study above, TNS will work with NORDA and CAPE to prepare a business plan for the appropriate business model. The client's initial considerations are that the businesses will carry out the services formerly provided by the state veterinary institutions at El Wak. The work plan for business plan preparation will depend on the type of enterprise recommended in the feasibility study.

3.3 Financial requirements

TNS will assess the financial requirement and the specific credit needs for the proposed business. TNS will identify and negotiate with Kenyan sources of credit willing to provide the debt financing for the business. A loan repayment schedule will be included in the financial projections in the business plan.

3.4 Business financial systems

TNS will design and institutionalize sound financial management systems for the business and establish methods of monitoring business performance through the systems. TNS will provide the training necessary for system implementation and use.

3.5 Installation of data gathering systems

TNS will provide support in design and installation of enterprise level data collection systems. The data to be tracked relate to impacts of the business model on gender, social environment, poverty and animal health.

3.6 Back-up business support

TNS will provide back-up support to the business and will make visits on a frequency to be pre-arranged with CAPE Unit over the 2-year life of the project. During the visits, additional tasks will take place such as monitoring and evaluation activities. The back-up support will include advisory services on program performance and improvement.

3.7 Other aspects

TNS will provide support to NORDA and CAPE in the selection of the investors and other entrepreneurial stakeholders in the proposed business model.

CAPE will provide primary and secondary data, background information and baseline survey data on the project and stakeholders. CAPE will also provide facilitative support to the TNS team.

During the course of the engagement CAPE may also hire TNS consultancy services e.g. macro economic and sector analyses, institutional and policy development support.

Expected commencement of business development activities is June / July 2001.

4. Proposed Workplan

The activities in the **Feasibility Study phase** are: desk study, business planning workshop, fieldwork, feasibility study preparation and evaluation, and presentation.

Workplan matrix

	Task	VII. Activities (Deliverables are marked *)	Duration in Person days
1.	Desk Study	<ul style="list-style-type: none"> ▪ *Research on current practices on primary level vet services in Kenya, and NEP in particular including: <ul style="list-style-type: none"> ○ Current govt. policy on vet services provision. ○ Identify key players in provision of vet services. ○ Identify key lessons learned from any livestock supplies / drug store in NEP. 	3 0.5 0.5 0.5 4.5
2.	Business Planning Workshop	<ul style="list-style-type: none"> ▪ Facilitation of 1 day workshop for sharing experiences in information gathering, feasibility and business planning in animal health privatization programs. ▪ *Report on workshop 	4 1 5
2.	Fieldwork	<ul style="list-style-type: none"> ▪ Assess current practices and systems for vet supplies at El Wak and Takaba. Visit any privately managed drug store document key lessons learnt. Visit Somali border to assess similarities. ▪ Analysis of existing delivery channels in El Wak and Takaba. ▪ Supply chain analysis for drugs procurement, distribution and marketing. Assess the possibility of bulk drug purchases. ▪ Assess market catchments for the businesses and optimal stock management levels. ▪ Explore entrepreneurship possibilities and potentials for qualified vets. ▪ Assess logistical needs for the provision of goods and services (distances, means of travel, routing for vet provision etc) within the catchments. ▪ Describe the competition, assess competitive advantages. ▪ Identify unexploited competitive potentials. ▪ Business resource analysis. 	6 3 3 3 1 3 2 1.5 4 26.5
3.	Feasibility Study Preparation	<ul style="list-style-type: none"> ▪ Identify, describe and evaluate the appropriate business model based on findings and data. ▪ Define proposals for procurement, operations, marketing strategy and financing. ▪ Financial viability analysis and projections. ▪ Economic viability analysis. ▪ Preparation of *Feasibility study for proposed veterinary services business in NEP and Somalia. 	5 4 2 1 3 15
4.	Presentation	<ul style="list-style-type: none"> ▪ 1 -day workshop for presentation of business model. 	1 1
		Total Duration	52

5. Risks

5.1 Business climate

In Sub-Saharan Africa, setting up private animal health services that are price competitive with the informal sector, and that can obtain good quality inputs regularly and cheaply, operate in an insecure and predatory institutional context, and obtain sufficient custom from very poor farmers to generate acceptable profits has been challenging and largely unsuccessful. Although the project methodology has been developed to overcome these constraints, it must be recognized that operating in the current business climate is challenging and not without risk. Any major downturn in livestock trade, upturn in inflow of cheap illegal drugs or insecurity is likely to have adverse consequences and to negatively affect the possibility of business success.

5.2 Disasters

The project area is at risk from both natural disaster, and insecurity. While a central project output is increasing resources and ability to cope with risk, a major natural disaster or deterioration in security is likely to overwhelm teams or coping strategies and have adverse consequences.

ANNEX 2 LIST OF NAMES PERSONS INTERVIEWED

Mr. Gedi M. Muhamed
Community Development Project Officer
Arid lands Resource Management Project
Mandera

Mr. A. Yusuf
District Agriculture Livestock and Extension Officer (DALEO)
Mandera District

Mr. J. M. Baruga
District Commissioner (DC)
Mandera District

Abdullahi A. Gessey
Project Coordinator
Emergency Pastoral Assistance Group , Kenya(EPAG)
Mandera.

Dr. Irura
District Veterinary Officer
Mandera District.

Dr. Mario Younan
Veterinary Coordinator –North Eastern Kenya
Verterinaires Sans Frontieres –Suisse (VSF-Swiss)
Mandera.

Hussein Ali Ibrahim (Kiosk)
Abdikadir Adan (Shop)
Ismail Mohamed (Shop)
Ali Sheik Ahmed (Kiosk)
Livestock drugs Selling Shops/Kiosks
EI Wak

Mahmood Adan Moga
District -Veterinary Livestock Officer (DLO).
EI Wak Sub-District

Hire Seik-Hashiah (among seven other shop owners interviewed)
Shop owner. (Open air market)
EI Wak-Somalia

Adan Abdigei
Community Animal Health Worker
Omar Mahmud
Official, Takaba Livestock Drug Use Association
Abdi Noor
Secretary, Takaba Livestock Drug Use Association
Mohamed Ibrahim
Chairman, Takaba Livestock Drug Use Association
Takaba

Mr. Ibrahim Abdikarim outgoing Chairman of Butchermen Association.
Mandera Local Slaughter House
Mandera

Mr. Abdikadir Adan
Executive Director
Northern Region Development Agency (NORDA)
Mandera

ANNEX 3 QUESTIONNAIRES

Questionnaire Livestock Owners

1. Name _____

2. Town _____

Tick as appropriate

3. How many animals do you have Less than 200 More than 200

4. What is the average value of drugs that you purchase per month
Less than 2,000/- More than 2,000/-

5. How do you access the drug supplier
Self Sourcing CAHWs Both

6. How do you rate the current AHS from CAHWs
Good Average Poor unanswered

7. How far do you have to travel to access these services _____

8. Any negative effects from quack supplied drugs _____

9. What could be done to improve the AHS _____

Questionnaire
Agro-vet Shop Owners

1. Name _____

Town _____

Tick as appropriate

2. Number of employees

Less than two

More than two

3. What are your monthly costs on drugs

Less than 5,000/-

More than 5,000/-

4. How do you access drugs

Self Sourcing

CAHWs

Both

5. What training have you received in handling drugs

Formal training

None

NGO/GoK

6. Do you supplement the sale of animal drugs with other products?

Yes

No

7. How do farmers pay for their animal drugs

Cash

Credit

8. Who are your key competitors?

CAHWs

Other shops

NGO/GoK

Quacks

9. What is the frequency of orders. monthly

Seasonally

10. What are your monthly profits _____

11. Drug distribution and marketing channels do you use _____

12. What is the origin of the drugs that you sell _____

13. Which drugs are popular/move fastest _____

14. What constraints do you find in vet drugs business _____

15. What support would you need most to maximize returns on your business? _____

16. Is there major seasonality in drug sales _____

Questionnaire Informal Drug Traders

1. Name _____

Town _____

Tick as appropriate

2. What are your monthly expenses on drugs

Less than 5,000/- More than 5,000/-

3. How do you access drugs

Manufacturers Wholesale Middlemen

4. What training have you received in handling drugs

Formal training None NGO/GoK

5. Do you supplement the sale of animal drugs with other businesses?

Yes No

6. How do farmers pay for the drugs

Cash Credit

7. Who are your key competitors?

CAHWs shops NGO/GoK OtherQuacks

8. What is the frequency of orders. monthly Seasonally

9. What are your monthly profits _____

10. What distances do you cover per day _____

11. What is the origin of the drugs that you sell _____

12. Which drugs are popular/move fastest _____

13. What constraints do you find in animal drugs business _____

14. Is there major seasonality in drug sales _____

15. What value of stock do you keep at any point in time _____

16. What are your monthly transportation costs? _____

17. What are the ranges of drugs that you stock? _____

Questionnaire

CAHWs **LDUAs**

1. Name _____
Town _____

Tick as appropriate

2. What are your monthly expenses on drugs

Less than 5,000/- More than 5,000/-

3. How do you access drugs

Manufacturers Wholesale Middlemen

4. What training have you received in handling drugs

Formal training None NGO/GoK

5. Do you supplement the sale of animal drugs with other businesses?

Yes No

6. How do farmers pay for the drugs

Cash Credit

7. Who are your key competitors?

Other CAHWs shops NGO/GoK Quacks

8. What is the number of clients served. monthly Seasonally

9. What are your monthly profits _____

10. What distances do you cover per day _____

11. What is the origin of the drugs that you sell _____

12. Which drugs are popular/move fastest _____

13. What constraints do you find in animal drugs business _____

14. Is there major seasonality in drug sales _____

15. What value of stock do you keep at any point in time _____

16. What are your monthly transportation costs? _____

17. What are the ranges of drugs that you stock? _____

18. Area served _____

19. What vision do you have of your

20. What are the constraints to achieving your vision?

21. In your view what is the most sustainable method of drug delivery to pastoralists in your area?

22. Do you need any support for your activities? (State clearly what support and why it is required)

Questionnaire
Veterinary Doctor(s)/DLO

Name _____

Designation _____

Number of years at station _____

Areas served _____

What is the thrust of the current GoK initiative in Mandera? _____

Is the government currently selling/distributing any drugs to pastoralists? _____

How would you rank the demand for veterinary services in the district? _____

What are the existing drug distribution and marketing channels? _____

Who supplies drugs privately to the district? From where? _____

Which drugs are popular/move fastest? _____

What is the list of types of drugs sold in the district? _____

Given the opportunity would you venture into private practice? _____

What are some of the constraints that you foresee? _____

Have you received any training in business management? _____

Is there any other business activities that subsidizes the activities of pastoralists? _____

Questionnaire
NGO-Service Provider

Name of organization _____

Year project started in Mandera _____

What are the project objectives of project _____

Areas served _____

What are the sources of drugs if any? _____

What marketing channels are used? _____

Are the drugs subsidized in any way? _____

What are the related cost of procurement? _____

What is the frequency and value of orders from pastoralists/AHAs _____

Which drugs are popular/move fastest? _____

What is the list of drugs sold/distributed free? _____

Do you provide any trainings for CAHWs, AHAs or pastoralists? _____

How would you rate the demand for your services? _____

Is there any other business that subsidizes the incomes of pastoralists apart from sale of animals?

Are there pastoralists who do not receive AHS for their livestock? If so, please the reasons why.

Questionnaire
District Agriculture Livestock and Extension Officer

Name _____

Designation _____

Number of years at station _____

Areas served _____

What is the thrust of the current GoK initiative in Mandera? _____

Is the government currently selling/distributing any drugs to pastoralists? _____

How would you rank the demand for veterinary services in the district? _____

What are the existing drug distribution and marketing channels? _____

Who supplies drugs privately to the district? From where? _____

Which drugs are popular/move fastest? _____

What is the list of types of drugs sold in the district? _____

Given the opportunity would you venture into private practice? _____

What are some of the constraints that you foresee? _____

Have you received any training in business management? _____

Is there any other business activities that subsidizes the activities of pastoralists? _____

What measures are being taken to stem/control/monitor the activities of quacks in the district? _____

Are there any abattoirs that are in use/non-operational in the district? Where are they located? _____

Is there any training in business management offered by GoK or NGOs, for AHS provision? _____

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