



1 EXECUTIVE SUMMARY

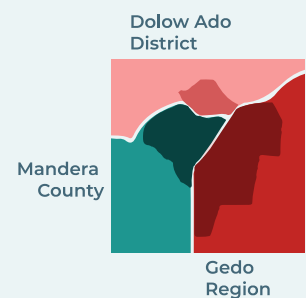
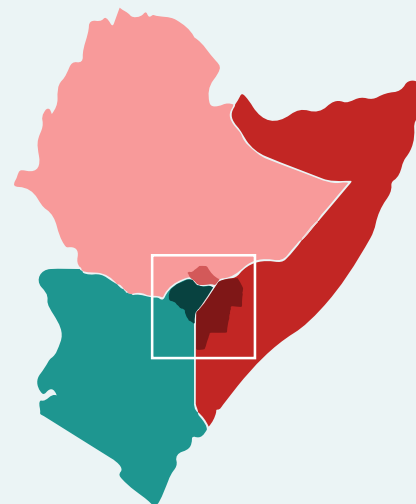
INTRODUCTION

The cross-border region at the intersection of the Kenya, Somalia and Ethiopia border represents a vibrant space of economic activity. The BORESHA project conducted exploratory data collection to understand the borderland region's local conditions for economic and private sector development, and for indicators that would contribute to resilience, particularly among vulnerable groups.

This data report focuses on businesses based in the BORESHA target areas of Mandera County in Kenya, Gedo Region in Somalia, and Dolow Ado District in Ethiopia.

In addition to outlining the attributes of the region's businesses, we employed a needs-based analysis of the information environment. This analysis focused on understanding businesses' operations, their preferences and challenges related to accessing relevant business information, and potential avenues for future interventions.

This report's objective is to convey the key differences in business interactions and information accessibility to inform the development of information platforms that provide accessible and relevant business information to the region. The findings suggest a significant diversity of experiences related to the border area, between women and men, and age groups working in the crossborder context. Understanding this diversity will be essential for interventions seeking to impact economic development in the Ethiopia-Kenya-Somalia border region.



DATA COLLECTION

This report is informed by mobile surveys and telephone interviews conducted in each of the three countries. Respondents were randomly selected from businesses that applied for grant funding from the BORESHA project.

220 participants were surveyed in Kenya via a short mobile USSD survey. This USSD survey was only conducted in Kenya due to technical limitations in Ethiopia and Somalia related to the country's telecoms companies' capacity to facilitate independent USSD platforms. Therefore, to avoid all the results skewing towards the Kenyan respondents, this data is only used when representing the countries individually.¹

An additional 81 participants in Ethiopia (32), Kenya (24), and Somalia (25), were interviewed by telephone. Telephone surveys comprised 39 questions related to business information, preferred channels, experience accessing credit, and their recent experience with the COVID-19 pandemic. All telephone interviews were conducted in the participant's preferred language: English, Swahili, or Somali.

In view of the sample sizes from the telephone interviews, this report does not claim to represent businesses in the cross border region fully. Rather, the report should be used as a starting point for further research in the area.

Key findings were verified by interviews with independent regional experts and with observations from BORESHA's local field teams.

KEY FINDINGS

PRIMARY SOURCE OF INCOME

Most small businesses at the border (68%) engage in trade as their primary source of income. Agriculture and farming was the next most important primary source of income among surveyed participants.



GOODS TRADED

The primary goods traded at the border are: **fruits and vegetables, retail items** (tea, biscuits, plastic items, cleaning supplies), **textiles and clothing, beans and legumes; cereals;** and **sheep/goats**. Women traders were more prevalent in retail items, textiles and clothing, while male traders dominated in cereals and livestock.

INFORMATION GAPS

The largest information gaps were:

1. market prices;
2. exchange rates;
3. savings and finance opportunities;
4. transport/logistics options; and
5. agricultural and manufacturing inputs.

PHONE-RELATED INFORMATION DELIVERY PREFERENCES

Business operators extensively use their phones to access business information. Respondents indicated preferences for information delivered along the following phone-related channels (in order of preference):

1. phone calls;
2. text and USSD;
3. internet; and
4. WhatsApp.



ACCESS TO CREDIT

40% of participants surveyed indicated knowledge of available credit options. However, when translating this into knowledge into practice:

- no respondents had accessed credit using mobile money;
- 5% had used credit from micro-finance institutions;
- 8% had secured credit from a bank;
- 9% had secured credit from SACCOs ;
- 11% had been awarded grants; and a further
- 11% had access credit from private sources.

¹ The two Kenyan data subsamples from the USSD and telephone surveys also cross-validated each other, determined by non-significant differences indicated by Kruskal–Wallis tests by ranks.

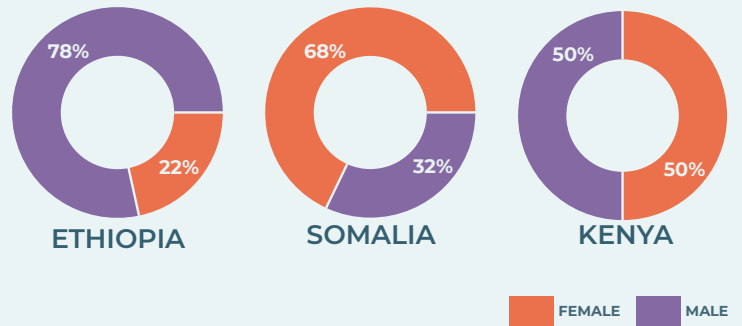
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DEMOGRAPHICS SUMMARY

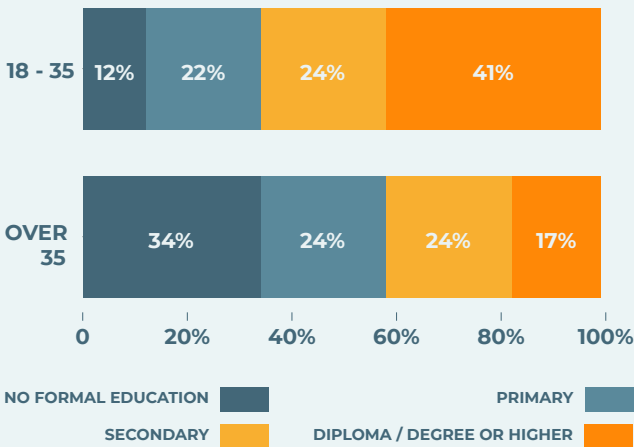
SURVEYED POPULATION

The data suggests that survey respondents were slightly younger and were predominantly men. Considering educational attainment, the Ethiopian participants were markedly more educated than the other two samples, with 66% indicating that they hold college diplomas or degrees - compared to the 8% and 9% from the respective Kenyan and Somali subsamples.

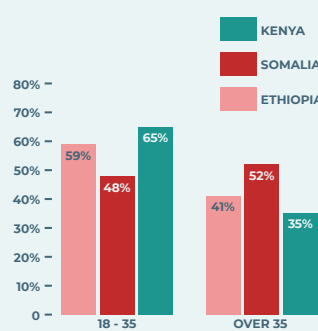
GENDER



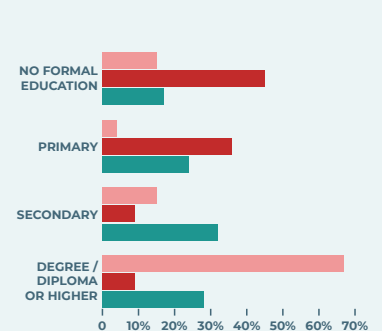
EDUCATION & AGE



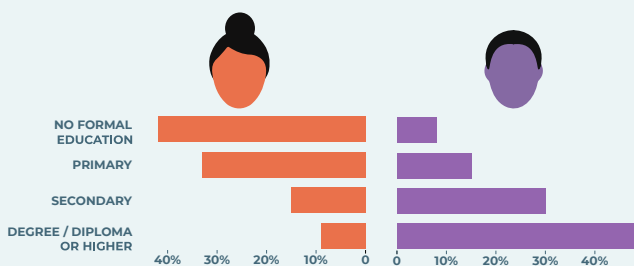
AGE



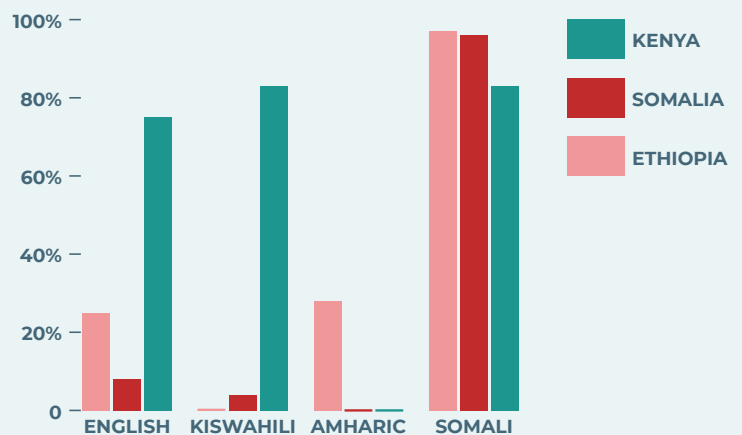
EDUCATION



GENDER & EDUCATION



LANGUAGE



According to the sample, gender was significantly associated with education attainment. Where 42% of women indicated that they had no formal education, only 8% of men indicated the same. Similarly, where 48% of men indicated that they had college diplomas, only 9% of women indicated the same.

While differences in the data are striking, it needs to be noted that young women are typically better educated than older women. 71% of 18-35 year old women have at least some formal education compared to 50% of women who are 35 and older.

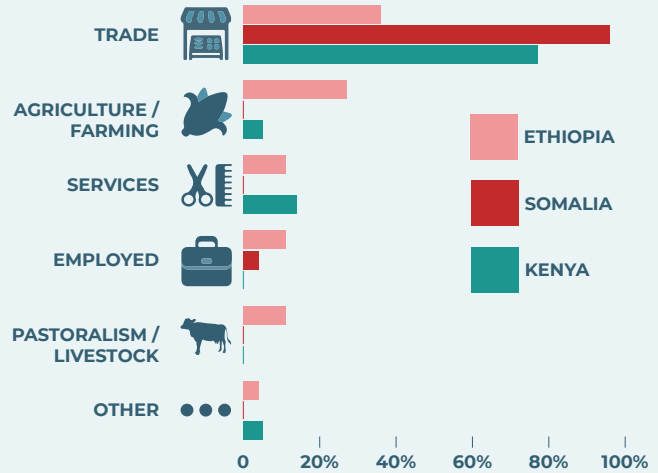
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TRADING ENVIRONMENT

PRIMARY SOURCE OF INCOME

Respondents who engaged in **trade-related activities** for their primary source of income

68%



Trade is the main source of income for 68% of businesses operating in the border area. Between country subsamples, the Ethiopian subsample indicated a much higher prevalence of agriculture as their primary source of income, compared to the other country subsamples. Additionally, nearly all respondents (96%) from the Somali subsample indicated trade as their primary source of income. While trade as respondents' primary income was the same between youth, a higher proportion of older respondents indicated agriculture and farming as their primary income (8% and 19% respectively). The data held the same between gender subsamples.

GOODS TRADED



Women trade **13%** more in **clothing and textiles** than men



Men trade **13%** more in **live animals** than women



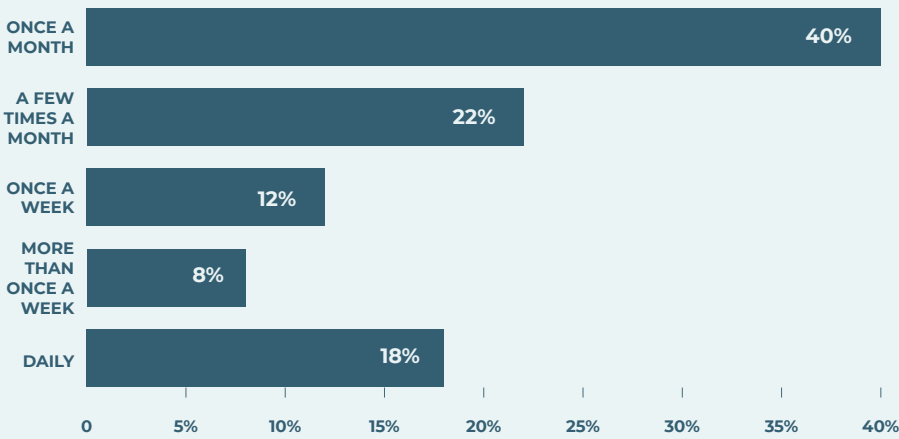
Both women (**24%**) and men (**23%**) trade mostly in **fruit and vegetables**

Businesses in the region trade in diversified and varied sectors. The most popular sector is the fruits & vegetables sector which are traded by 24% of all survey participants. Sector preferences between countries are also present, although given the sample size these should only be taken as an indication:

- Ethiopian businesses trade in fruits & vegetables, and live animals;
- Kenyan businesses trade in retail items, fruits and vegetables and textiles/clothing; and
- Somali businesses trade in fruits and vegetables, textiles/clothing, and retail items.

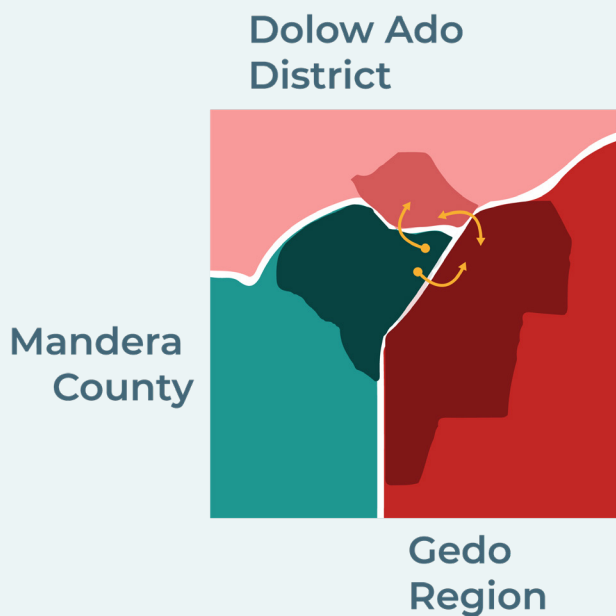
Business operator's gender also appears to impact what businesses sell - suggesting gendered economic sectors that need to be considered by practitioners seeking to promote resilience in the region. Women are more active in trading textiles and men are more prevalent in live animal trade.

FREQUENCY AT WHICH GOODS ARE SOURCED



Most businesses indicate that they sourced their goods once a month. Businesses that traded in retail items indicated that they sourced their goods more frequently compared to those who traded in agricultural or livestock products. Businesses that traded clothing sourced their goods less frequently. No significant differences were found between gender and age subsamples.

CROSS-BORDER MOVEMENT OF GOODS



GOODS TRADED ACROSS BORDER



CROSS-BORDER TRADERS IN EACH REGION

84%



67%

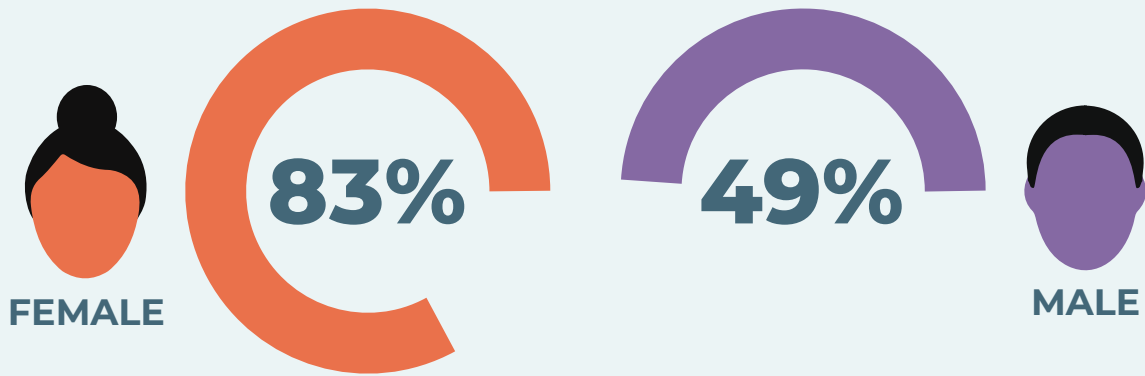


18%



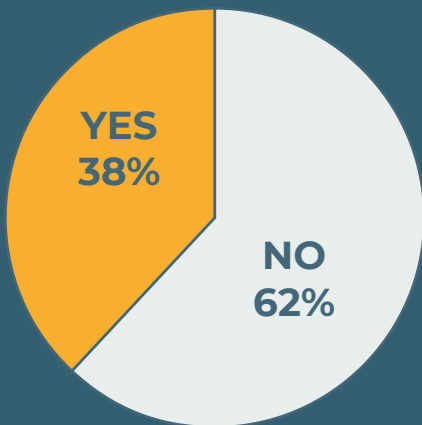
When considering cross-border flows, 84% of Ethiopian businesses indicated that they buy and sell their products in countries other than where they are based. Somali businesses indicated a comparative engagement with cross-border markets - 67% buy or sell in neighbouring countries. In contrast, Kenyan businesses were much less likely to engage in cross-border trade, with only 18% of businesses indicating that they buy or sell across borders. The products most likely to be traded across the borders (in order of likelihood) were: cereals; beans and legumes; fruits & vegetables; retail items; and textiles/clothing.

FULL BUSINESS OWNERSHIP



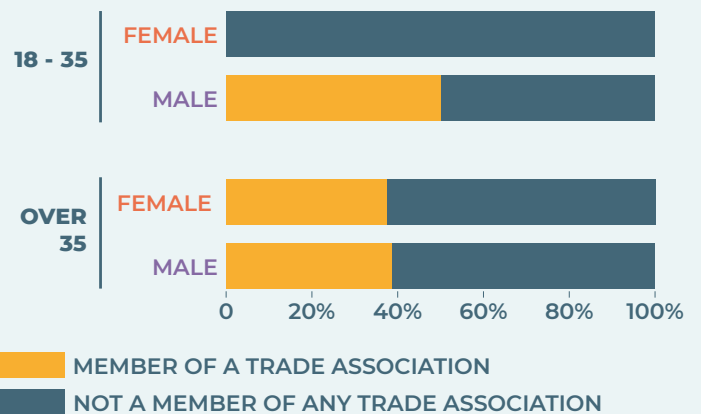
Almost all respondents own their businesses either in part or in full. Women are more likely than men to be solo operators, with the majority of women respondents owning their business in full. By contrast, half of male respondents own only part of their business, suggesting that they are more likely to operate in partnerships or cooperatives than as solo operators.

MEMBERSHIP TO A TRADE ASSOCIATION



Trade associations are groups of businesses and individuals, often related to a specific sector, that come together as a group to gain more bargaining power on issues of common interest including influencing policy directions and advocating on behalf of members. Most respondents (62%) are not members of a trade association. Men are more likely to be part of a trade association (46%) in comparison to women (19%). Furthermore, when this is broken down by age groups, only female business operators over the age of 35 are part of trade associations (38%), while 50% of men aged 18 to 35 are members of trade associations, and 38% of men over the age of 35.

TRADE ASSOCIATION MEMBERSHIP BY GENDER & AGE



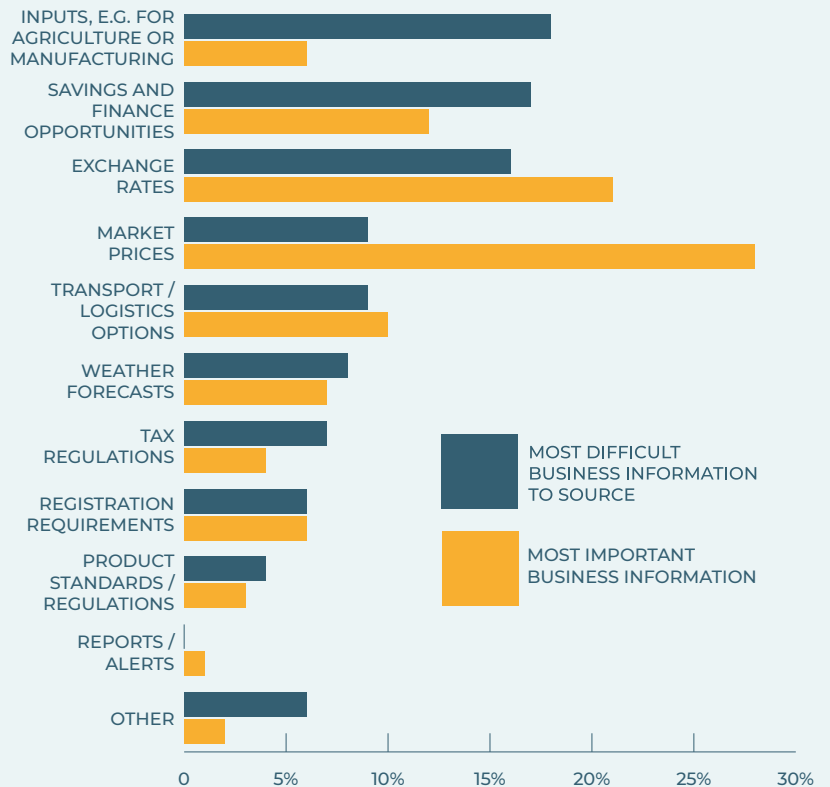
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TRADE INFORMATION & ACCESS

IMPORTANT AND DIFFICULT TO FIND INFORMATION

Across all three regions, the least accessible information includes inputs, e.g. for agriculture or manufacturing (18%), savings and finance opportunities (17%) and exchange rates (16%). On the other hand, market prices (28%), exchange rates (21%) and savings and finance opportunities (12%) are the most demanded information.

For the other responses collected, identifying profitable products was a prominent theme - with 25% of respondents finding it difficult to source this information. Around half of the respondents were interested in information related to business expansion, either through product diversification, or general support and advice on how to grow their business. Additionally, one respondent mentioned that information about being a disabled business owner would be very useful to them.



INFORMATION GAPS

The information gaps for businesses were measured by evaluating what information was most important and least accessible to business operators in the region. Each country subsample had their own preference, however in aggregate, market prices and exchange rates, were considered to have the largest information gaps across the countries.

<div style="background-color: #1a3d4d; color: white; padding: 10px; text-align: center; margin-bottom: 10px;">1</div> MARKET PRICES	ETHIOPIA 1. Exchange rates 2. Market prices 3. Inputs, e.g. for agriculture or manufacturing
<div style="background-color: #1a3d4d; color: white; padding: 10px; text-align: center; margin-bottom: 10px;">2</div> EXCHANGE RATES	SOMALIA 1. Inputs, e.g. for agriculture or manufacturing 2. Exchange rates 3. Market prices
<div style="background-color: #1a3d4d; color: white; padding: 10px; text-align: center; margin-bottom: 10px;">3</div> INPUTS, E.G FOR AGRICULTURE OR MANUFACTURING	KENYA 1. Savings and finance opportunities 2. Market Prices 3. Transport and logistics options
<div style="background-color: #1a3d4d; color: white; padding: 10px; text-align: center; margin-bottom: 10px;">4</div> SAVINGS AND FINANCE OPPORTUNITIES	
<div style="background-color: #1a3d4d; color: white; padding: 10px; text-align: center; margin-bottom: 10px;">5</div> TRANSPORT AND LOGISTICS OPTIONS	

TOP INFORMATION SOURCES



The top three sources for business information are from peers, the marketplace and other traders, and government information services and workshops. A few respondents also mentioned sourcing information from colleagues, business centres, trade associations, and online.

APPLICATION OF BUSINESS INFORMATION

33%

of respondents use business information to make decisions on **price setting for their goods or services** based on current **market prices**.

28%

of respondents use business information to understand the needs of the market and determine **what to buy** and **where to source their goods at a fair price**.

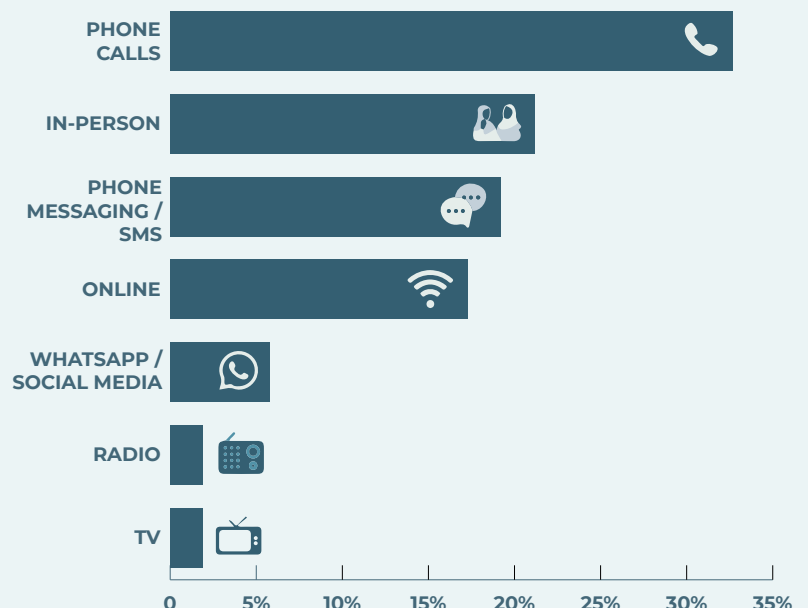
22%

of respondents use finance information to learn **where to apply for credit** and **the procedures to apply for grants**.

Businesses use a variety of information throughout their business operations, including information to inform price-setting (33%), sourcing supplies (28%), and accessing credit (22%). The identified activities all require up-to-date information on the current market prices, the demand and supply locations of certain goods and credit sources available, respectively. Ultimately, the responses indicate that businesses need to consistently access new information to stay informed.

PREFERRED INFORMATION CHANNELS

The top three preferred information channels for businesses at the Ethiopia-Kenya-Somalia border are phone calls (33%), face-to-face or in-person interactions (21%), and phone messaging or SMS (19%). Only 2% of respondents indicated that they used public media channels, such as television or radio, to source business information. Channels which require internet access, such as going online (17%) or WhatsApp and social media (6%), are less popular avenues for accessing information.





PHONE USAGE FOR BUSINESS

Surveyed businesses rely greatly on their phones to conduct their business activities. With 93% of respondents using their phones to support their businesses; for example by sourcing relevant information and facilitating business operations.

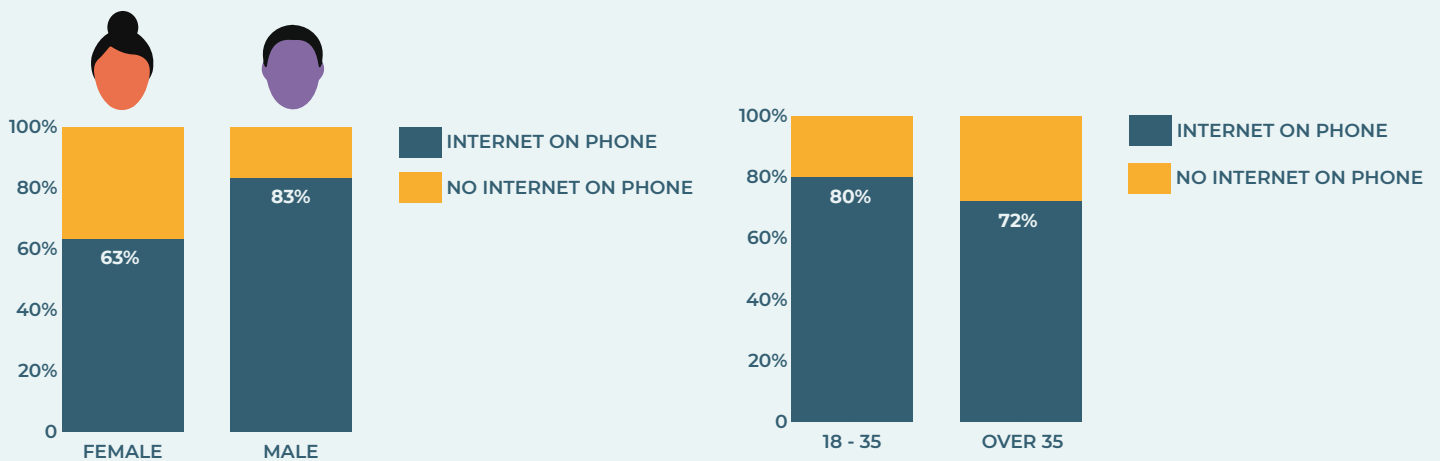
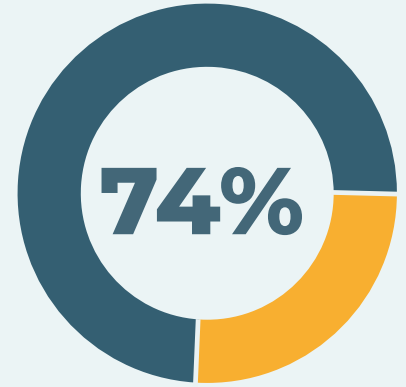
93%

INTERNET ON PHONE

The majority of respondents can access the internet on their phones (74%).

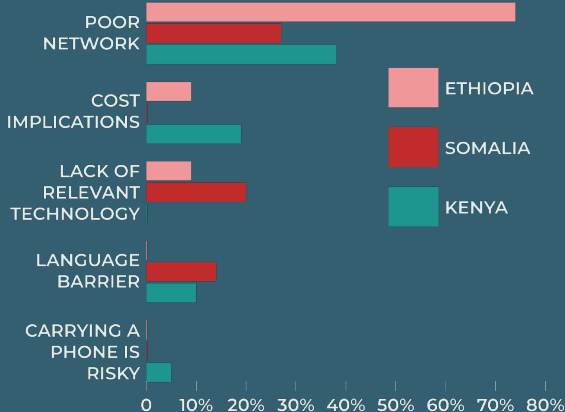
Younger business operators in the cross-border region are marginally more likely to have internet access on their phones (80%), while 72% of business operators over the age of 35 have internet access on their phones.

Additionally, men (83%) are more likely to have internet access on their phones than women (63%).



PHONE CHALLENGES

The most common phone challenge for businesses across all three countries is poor networks. This is particularly true for Ethiopian businesses with the majority of respondents (74%) indicating that network connectivity was their biggest challenge. The cost implications of using phones was also a common challenge, with 24% of Kenyan respondents specifying this challenge as their biggest. In particular, respondents referred to sourcing airtime as a sometimes difficult cost implication. Additionally, 20% of Somali businesses indicated that the lack of relevant technology was their biggest phone challenge.

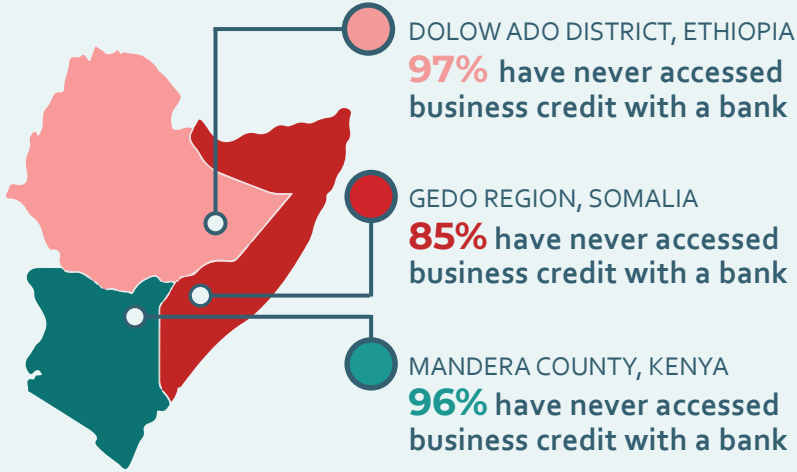


When asked about other challenges, Somali respondents mentioned insecurity in the area which sometimes prevented them from using their phones as a result of public authorities shutting down the networks, while a few of respondents stated that they experienced no challenges in relation to phone usage.

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ACCESS TO FINANCIAL SERVICES

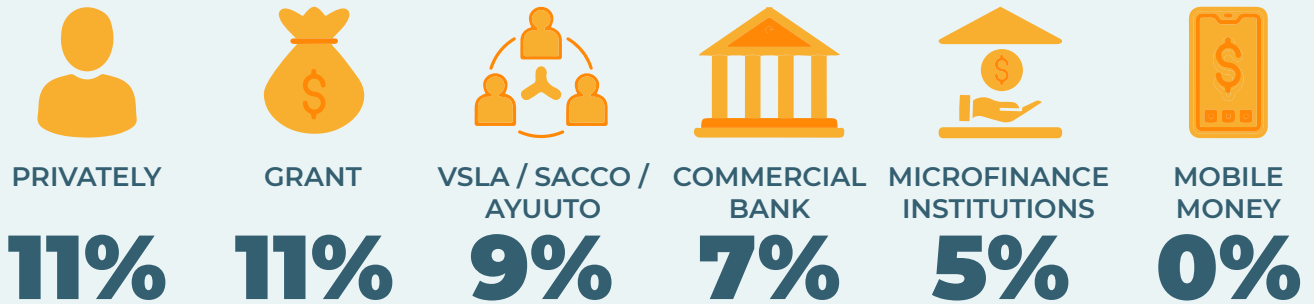
ACCESS TO BUSINESS CREDIT



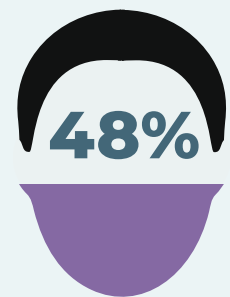
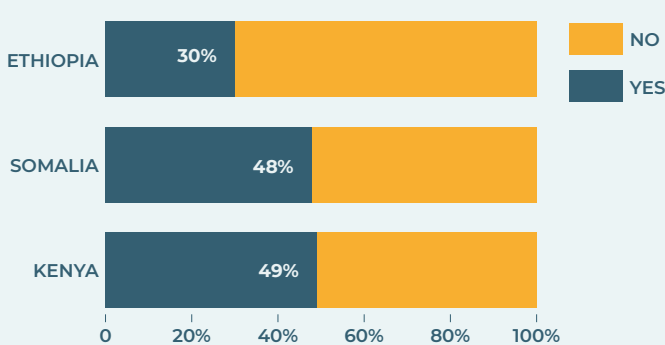
The majority of businesses in the region have never accessed business credit. In particular, across the country subsamples, 97% of Ethiopian businesses, 85% of Somali businesses and 96% of Kenyan businesses have never accessed credit from a commercial bank.

The most popular avenues for accessing credit amongst respondents were borrowing privately and through grants. However, even these channels were each accessed by only 11% of respondents. No respondents had any experience accessing credit through mobile money.

BUSINESS' EXPERIENCE BORROWING CREDIT



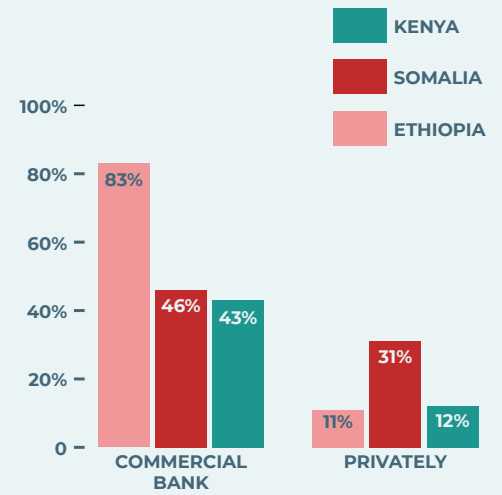
AWARENESS OF CREDIT OPTIONS



Regardless of region or gender, most businesses are not aware of credit options in their area. While half the businesses in Kenya (49%) and Somalia (48%) have some awareness of other options to access credit, only a third (30%) of the Ethiopian respondents indicated similarly. Additionally, men have more awareness (48%) than women (34%) of different credit options.

PREFERRED SAVING OPTIONS

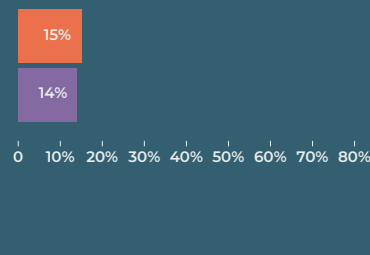
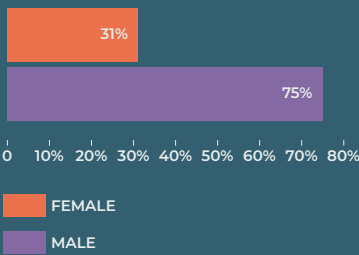
The majority of respondents across the region indicated that they preferred to save their money in commercial banks. In particular, this was true for 83% of the Ethiopian population, in comparison to only 46% and 43% of the Somali and Kenyan populations, respectively. Additionally, a third (31%) of the Somali respondents were also in favour of saving money privately, while their Ethiopian and Kenyan counterparts showed less interest in this option.



COMMERCIAL BANK



PRIVATELY



The majority of male respondents (75%) prefer to save their money in commercial banks, while only a third (31%) of the female respondents answered similarly. Both women and men had similar sentiments for saving money privately, with 15% and 14% of respondents indicating a preference for this saving option, respectively.

6

COVID-19 IMPACT & SENTIMENTS

The COVID-19 pandemic has had significant effects throughout the region and beyond, with many countries closing their borders and restricting cross-border movement. The survey attempted to find out how the pandemic has impacted the respondents.

The majority of survey participants indicated that business has slowed down during the pandemic, which has led to a notable loss of profit. Roughly a third of the respondents mentioned that their business was impacted by the restrictions on movement of both goods and persons. This is partly due to the limited access to public transport. In addition to this, several respondents experienced increased difficulties sourcing supplies, due to closed markets and the general scarcity of produced goods during this time. As a result of these changes, both customers and supplies are low. Only a few respondents indicated that their businesses were not impacted by the pandemic.

BUSINESS ACTIONS

Many respondents are **following government protocols** and **encouraging customers to follow sanitation guidelines**. Approximately half of the respondents have had to adapt their businesses by **adopting new strategies**, such as facilitating sales over social media and delivering goods to buyers. Several respondents have opted to **suspend business activities** for the duration of the pandemic.

LESSONS LEARNT

The majority of respondents have adopted new strategies to **follow government guidance** on protecting themselves and their customers. Several respondents have adapted their businesses by embracing **new selling strategies** and **offering goods with greater demand during the pandemic**.

PRICE CHANGES DUE TO COVID-19 PANDEMIC

Most respondents witnessed changes in the price of goods in their area. In particular, respondents mentioned that prices had risen for the following goods: rice, sugar, cooking oil, fuel, cereals, and maize flour. While the price of rice was impacted by the rainy season, other prices had changed. Reasons included the pandemic, a limited supply and scarcity of goods, exchange rates, and the increased transportation fees. A third of the respondents did not increase their own prices so as to retain customers, while almost 20% increased prices to try mitigate their profit loss.

7

MOVING FORWARD

This exploration of businesses in the BORESHA target area reveals insights for future activities that focus on impacting economic development. These recommendations are outlined below:

- 1. Future channels of information delivery:** The majority of respondents in the region have internet access (74%), however, information sources that do not require internet access are still the most preferable method of retrieving business information. Further, internet access is unevenly distributed between men and women, and between youth (18-35 year olds) and older populations. **Interventions that seek maximum reach should focus on developing information sources along channels that are more common among sub-groups of businesses, such as phone messaging and SMS that do not require internet access.**
- 2. Bridging information gaps:** The data shows that the information content with the largest gaps between importance of information and accessibility are market prices, exchange rates, and savings and finance opportunities (among others). Two strategies would need to be employed to bridge these information gaps: improving the availability of relevant information content and improving the availability of relevant channels that can be used to access this information. **Regional institutions, development practitioners, and other business information providers, would be well-received to coordinate strategies that target information availability and accessibility, and therefore reduce gaps between relevant information and businesses in the region.**
- 3. Improving awareness of credit options:** The findings suggest that businesses could benefit specifically from increased awareness of credit options available in this cross-border region, in particular this is true for respondents in the Dolow Ado District in Ethiopia, and for women in general. While it is true that these low figures might be influenced by the religious demographics of the area (many communities in this cross-border region are part of the Islamic faith, where it is against Sharia law to borrow credit with interest), **effectively navigating these cultural norms will be essential for greater impact in the area.**

These recommendations should ultimately be considered within the diverse context of the region's businesses. This report has outlined business operators' preferences and challenges related to accessing relevant business information. Considering the different experiences on each side of the border, between genders, and between ages, this data can be used as a starting point to inform programs that stimulate an inclusive information ecosystem that responds to the needs of the regions' growing economy.



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BORESHA CONSORTIUM



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