

Unveiling Cross-Border Business Potential: Opportunities And Challenges In The Mander Triangle

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Abstract- This article explores the cross-border business potential within the Mander Triangle, a region formed by the borders of Kenya, Ethiopia, and Somalia. The article provides a comprehensive examination of the region's socio-economic opportunities and challenges, with a particular focus on agriculture and livestock trade. Utilizing a thorough desktop review of existing literature, policy documents, and reports, the article highlights the critical role of agriculture and livestock in local economies, emphasizing the impact of innovative practices and development projects like BORESHA. The findings reveal significant socio-economic opportunities driven by agricultural trade and livestock activities, which support food security and income generation. However, the region faces substantial challenges, including the pervasive nature of informal trade, political instability, and inadequate infrastructure. The informal trade, while essential for local livelihoods, often escapes regulatory oversight, complicating efforts to formalize the economy. Political and security challenges, including inter-clan conflicts and border disputes, further disrupt trade and development initiatives. Additionally, infrastructure deficits, such as poor road networks and limited access to healthcare and education, hinder economic growth. The policy and institutional framework section reviews current policies impacting cross-border trade, highlighting the effectiveness and gaps in regulatory environments. The role of various institutions, including government bodies and NGOs, is analyzed, showcasing successful collaborative efforts that have positively impacted the region. The study concludes with a summary of findings and actionable recommendations aimed at enhancing trade policies, supporting informal trade, and prioritizing infrastructure development. By addressing these issues, the Mander Triangle can harness its full potential for cross-border trade and contribute to regional economic integration and development.

Index Terms- Cross-border trade, Mander Triangle, Socio-economic opportunities, regional integration

I. INTRODUCTION

Cross-border trade in Africa, particularly in the Horn of Africa, is crucial for economic integration and development. This region, which includes Ethiopia, Kenya, Somalia, and Djibouti, has a vibrant trade system that significantly impacts local economies. The trade facilitates the exchange of livestock, agricultural products, and manufactured goods, stabilizing food

security and enhancing income opportunities. The informal nature of much of this trade allows for flexibility and adaptability in these volatile environments. Recent initiatives, such as the Horn of Africa Initiative, underscore the importance of cooperation to address common challenges and maximize the potential of cross-border trade (BORESHA, 2020; UNDP Africa Borderlands Centre, 2022). The African Continental Free Trade Agreement (AfCFTA) also plays a critical role by reducing trade barriers and fostering a more integrated market, thus boosting economic growth and stability (UNDP, 2022; UNDP, 2023).

The Mander Triangle, formed by the borders of Kenya, Ethiopia, and Somalia, holds significant geographical and strategic importance in the Horn of Africa. This area serves as a critical transit point for cross-border trade and a hub for various socio-economic activities. Its strategic location facilitates the movement of goods and services, particularly livestock, which is a major economic activity in the region. Accessibility to major markets in Nairobi, Addis Ababa, and Mogadishu enhances its role as a trade nexus. The region's natural resources, including the Dawa and Genale rivers, support agricultural activities and provide essential water resources. Strategically, the Mander Triangle is pivotal for peace and security in the Horn of Africa, with diverse ethnic groups fostering cross-border cultural and economic ties, crucial for regional stability (BORESHA, 2020; UNDP Africa Borderlands Centre, 2022; End-Line Evaluation of BORESHA Project, 2020).

Cross-border trade in the Mander Triangle has evolved significantly over the years, driven by historical ties and modern economic dynamics. Historically, it has been a hub for livestock trade, facilitated by shared cultural and ethnic ties among the Somali clans. Over time, the trade has expanded to include agricultural products and other goods, reflecting changes in the region's economic landscape. Despite challenges such as drought, conflict, and regulatory barriers, the resilience of local traders has sustained this vibrant trade network. Regional integration initiatives like the Horn of Africa Initiative have played a significant role in enhancing cross-border trade by investing in infrastructure and human capital development. These initiatives, along with the efforts of regional economic communities like IGAD, have helped reduce trade barriers and foster economic growth and stability in the Mander Triangle (Horn of Africa Initiative, 2023; UNDP, 2023; End-Line Evaluation of BORESHA Project, 2020).

1.1 Objectives

The objectives of this article are;

- i. To examine the socio-economic opportunities in the Mandera Triangle.
- ii. To identify and assess the challenges and constraints facing cross-border trade at Mandera Triangle.
- iii. To evaluate the policy and institutional frameworks affecting cross-border trade at Mandera Triangle.

II. METHODOLOGY

2.1 Desktop Review

The methodology for this paper involved an extensive desktop review of existing literature, policy documents, scholarly articles, and reports pertinent to cross-border trade in the Mandera Triangle. This approach was chosen to compile a comprehensive understanding of the region's economic activities, challenges, and opportunities. Key documents reviewed included project evaluations, technical briefs, and policy studies from various sources such as the UNDP, BORESHA, and other regional development programs. The review process ensured that a wide range of perspectives and data points were considered, providing a robust foundation for the analysis and conclusions drawn in this study (BORESHA, 2020; UNDP Africa Borderlands Centre, 2022).

2.2 Sources and Data Collection

Sources for data collection were meticulously selected to ensure relevance and reliability. Databases and repositories such as UN COMTRADE, FEWS NET, and various regional economic communities (RECs) provided valuable quantitative data on trade volumes and economic trends. Additionally, reports from international development organizations and academic publications offered qualitative insights into the socio-economic dynamics of the Mandera Triangle. The combination of these sources allowed for a comprehensive synthesis of information, which was crucial for understanding the multi-faceted nature of cross-border trade in this region (UNDP, 2023; Final Evaluation of BORESHA III, 2023).

2.3 Analytical Framework

The analytical framework employed in this study involved a thematic analysis to identify and synthesize key themes and patterns from the collected data. This included examining the impact of regional integration initiatives, the role of informal trade, and the socio-economic contributions of cross-border activities. The framework was designed to integrate both qualitative and quantitative data, providing a holistic view of the region's trade dynamics. This approach facilitated a detailed examination of the opportunities and challenges faced by the Mandera Triangle, leading to well-rounded conclusions and actionable recommendations (A Review of Cross-Border Trade in the Horn of Africa, 2020; End-Line Evaluation of BORESHA Project, 2020).

III. FINDING AND DISCUSSIONS

3.1 Socio-Economic Opportunities

3.1.1 Agriculture

Agriculture is a cornerstone of the Mandera Triangle's economy, significantly contributing to local livelihoods and food security. The region's agricultural activities, including crop

farming and commercial fodder production, support both subsistence needs and the broader livestock market. This trade plays a vital role in stabilizing local economies by generating income and fostering cross-border trade. In particular, the cultivation of crops using irrigation from the Dawa and Genale rivers has been crucial in mitigating the impacts of the arid climate, enabling sustained agricultural productivity. Consequently, agriculture in the Mandera Triangle not only supports the local population but also enhances economic integration between Kenya, Ethiopia, and Somalia (UNDP Africa Borderlands Centre, 2022; BORESHA, 2020; End-Line Evaluation of BORESHA Project, 2020).

Agriculture in the Mandera Triangle faces numerous challenges, primarily due to climate change and insufficient infrastructure. Erratic rainfall and prolonged droughts have severely impacted crop yields and water availability, posing significant threats to agricultural sustainability. However, innovative practices such as climate-resilient farming and the adoption of solar-powered drip irrigation systems have been introduced to address these challenges. These innovations aim to enhance crop productivity and ensure sustainable agricultural practices. The BORESHA project has played a pivotal role in promoting these practices, aiding farmers in adapting to changing climatic conditions and improving their agricultural outputs (Final Evaluation of BORESHA III, 2023; UNDP, 2023).

3.1.2 Livestock Trade

The livestock trade in the Mandera Triangle has deep historical roots, with pastoralism being a traditional way of life for the local communities. This trade has evolved over centuries, becoming a vital economic activity that supports numerous households across Kenya, Ethiopia, and Somalia. Despite modern challenges such as regulatory barriers and market fluctuations, the livestock trade remains robust, driven by the high demand for animal products and the cultural significance of livestock in the communities (A Review of Cross-Border Trade in the Horn of Africa, 2020; End-Line Evaluation of BORESHA Project, 2020). The economic impact of livestock trade in the Mandera Triangle is substantial, contributing significantly to the local economies. This trade provides income for herders, traders, and other stakeholders involved in the livestock value chain. The cross-border nature of the trade enhances economic ties between Kenya, Ethiopia, and Somalia, fostering regional integration and cooperation. Moreover, the income generated from livestock sales supports other economic activities, such as retail and services, thereby stimulating broader economic development in the region (UNDP Africa Borderlands Centre, 2022; Final Evaluation of BORESHA III, 2023).

Efforts to improve animal health and sustainability are crucial for maintaining the viability of the livestock trade in the Mandera Triangle. Initiatives such as community-based animal health services and vaccination programs have been implemented to address prevalent animal diseases and improve overall livestock health. For instance, BORESHA's vaccination campaigns reached over 471,000 animals, significantly improving herd health and reducing mortality rates. Additionally, innovative financial mechanisms like Index-Based Livestock Insurance (IBLI) have been introduced to protect herders from the adverse effects of climate change, enhancing their resilience and ensuring the

sustainability of the livestock trade (BORESHA, 2020; End-Line Evaluation of BORESHA Project, 2020; Final Evaluation of BORESHA III, 2023).

3.2 Challenges and Constraints

3.2.1 Informal Trade Issues

Informal trade in the Mandera Triangle is extensive, encompassing a wide range of goods and services. This sector thrives due to various factors, including the porous borders and the high demand for goods in areas that formal channels do not adequately serve. Key items traded informally include livestock, agricultural produce, and consumer goods. The informal nature of this trade often leads to issues such as smuggling and evasion of regulatory oversight, which fosters a climate of suspicion and distrust among government authorities. These activities complicate efforts to regulate and support the trade effectively, creating barriers to formalizing these economic activities (UNDP, 2023; End-Line Evaluation of BORESHA Project, 2020).

The prevalence of informal trade in the Mandera Triangle significantly impacts economic growth and stability. While this trade supports livelihoods and provides critical goods and services, its informal nature means that it operates largely outside of the formal economic system. This limits tax revenue collection and reduces the resources available for public investments in infrastructure and services. Additionally, the lack of formal recognition and support for informal traders hampers their ability to scale their businesses and access financial services, further entrenching poverty and economic vulnerability in the region (End-Line Evaluation of BORESHA Project, 2020; Umulqer Adam MIR, 2020).

3.2.2 Political and Security Challenges

The Mandera Triangle is characterized by significant political instability and security challenges, which include inter-clan conflicts and border disputes. These conflicts are often driven by competition over scarce resources such as water and pasture, exacerbated by prolonged droughts and other climatic conditions. The presence of armed groups and the proliferation of small arms further destabilize the region. Political manipulation and lack of effective governance also contribute to the persistence of these conflicts, undermining efforts to establish lasting peace and security (UNDP Africa Borderlands Centre, 2022; Umulqer Adam MIR, 2020).

Political instability and security concerns severely affect the safe and efficient movement of goods and people in the Mandera Triangle. Frequent conflicts and the presence of armed groups lead to roadblocks and increased transportation costs, disrupting trade routes and reducing market access. This insecurity deters investment and hampers economic activities, making it challenging for traders to conduct business and for development initiatives to take root. As a result, the region's economic potential remains largely untapped, and local communities continue to face significant barriers to economic prosperity (BORESHA, 2020; End-Line Evaluation of BORESHA Project, 2020).

3.2.3 Infrastructure and Services

The Mandera Triangle suffers from severe infrastructure deficits, including poor road networks and inadequate basic services such as healthcare and education. The lack of reliable

infrastructure hinders the movement of goods and people, contributing to higher transportation costs and delays. For example, many rural areas lack proper road connectivity, making it difficult for traders to access markets, especially during adverse weather conditions. Furthermore, the limited availability of healthcare services forces residents to rely on facilities in neighboring countries, adding to the logistical and financial burdens on local populations (End-Line Evaluation of BORESHA Project, 2020; Cross-Border Business Article, 2020).

Several initiatives have been launched to enhance infrastructure and services in the Mandera Triangle. These include the development of Business Development Service Centres, which provide training and support to local entrepreneurs, and the implementation of mobile-based market information platforms to improve market access and transparency. Additionally, efforts are being made to improve road infrastructure and expand healthcare and educational services. These initiatives aim to create a more conducive environment for trade and economic development, addressing some of the critical barriers that have hindered progress in the region (Final Evaluation of BORESHA III, 2023; UNDP, 2023).

3.3 Policy and Institutional Framework

3.3.1 Existing Policies and Their Impact

The regulatory environment for cross-border trade in the Mandera Triangle is shaped by a complex interplay of national policies, bilateral agreements, and regional frameworks. Countries in the region, including Kenya, Ethiopia, and Somalia, have various national policies aimed at facilitating trade. For example, Kenya's National Trade Policy and the Micro and Small Enterprise Act seek to enhance trade facilitation through simplified customs procedures and support for small enterprises. However, the effectiveness of these policies is often hampered by bureaucratic inefficiencies and inconsistent enforcement across borders (Umulqer Adam MIR, 2020). Additionally, regional economic communities (RECs) such as IGAD have developed protocols like the Free Movement of Persons, aimed at easing cross-border mobility for traders and pastoralists (Umulqer Adam MIR, 2020).

While existing policies have laid a foundation for facilitating cross-border trade, there are notable gaps that hinder their effectiveness. One significant issue is the lack of harmonization between national policies and regional agreements, leading to discrepancies in implementation. For instance, high customs duties and complex clearance procedures remain substantial barriers, increasing the cost and time of trade transactions (Final Evaluation of BORESHA III, 2023). Moreover, informal trade, which constitutes a large part of the economic activity in the Mandera Triangle, often operates outside the formal regulatory frameworks, making it difficult to capture and regulate. These gaps highlight the need for more coherent and streamlined policies that can effectively support cross-border trade and economic integration in the region (Final Evaluation of BORESHA III, 2023).

3.3.2 Role of Institutions

Various institutions, including government bodies and non-governmental organizations (NGOs), play crucial roles in facilitating cross-border trade in the Mandera Triangle.

Governments of Kenya, Ethiopia, and Somalia are involved in setting and enforcing trade policies, providing infrastructure, and ensuring security. NGOs, on the other hand, often focus on capacity building, providing support services, and advocating for policy reforms. For example, the BORESHA project has significantly contributed to enhancing trade by supporting community-led initiatives, building local capacities, and improving access to market information (End-Line Evaluation of BORESHA Project, 2020). These institutions work together to address challenges such as poverty, food insecurity, and conflict, thereby creating a more conducive environment for trade.

Successful collaborations between various stakeholders have had a positive impact on the region. The UNDP Africa Borderlands Centre, for instance, has implemented initiatives that promote regional cooperation and economic development. These efforts include the development of Business Development Service Centres and mobile-based market information platforms, which have improved market access and transparency for traders (UNDP, 2023). Additionally, coordinated efforts under the Horn of Africa Initiative have led to significant infrastructure improvements, such as the construction of roads and bridges, which facilitate smoother and more efficient trade flows (Final Evaluation of BORESHA III, 2023). These collaborative initiatives demonstrate the potential of integrated approaches in addressing the multifaceted challenges faced by the Mendera Triangle.

IV. CONCLUSIONS & RECOMMENDATIONS

4.1 Summary of Findings

The Mendera Triangle holds immense potential for cross-border trade, primarily driven by agriculture and livestock trade. However, it faces significant challenges including the informal nature of trade, political instability, and inadequate infrastructure. Agriculture supports local economies by stabilizing food security and generating income, while innovative practices like climate-resilient farming enhance productivity. Livestock trade remains a vital economic activity, though it is often informal and plagued by health and sustainability issues. Political dynamics and security concerns, including conflicts and border disputes, further complicate trade activities. Infrastructure deficits, particularly poor road networks and lack of basic services, hamper economic development and trade efficiency in the region.

The future of cross-border trade in the Mendera Triangle is promising if addressed with comprehensive policies and initiatives. Continued efforts to harmonize trade policies, enhance infrastructure, and support informal trade can significantly improve trade efficiency and economic stability. Collaborative initiatives, such as those by the UNDP Africa Borderlands Centre, highlight the potential for integrated approaches to regional development. With focused investment in infrastructure and services, and stronger political cooperation, the Mendera Triangle can become a model for cross-border trade and economic integration in the Horn of Africa.

4.2 Recommendations

To enhance cross-border trade, it is essential to streamline and harmonize trade policies across the Mendera Triangle. Governments should simplify customs procedures, reduce tariffs,

and ensure consistent enforcement of regulations to facilitate smoother trade flows. Additionally, policies should support the formalization of informal trade by providing traders with the necessary resources and infrastructure to comply with regulations. This includes offering training on regulatory requirements and access to financial services to help informal traders transition into the formal economy.

Recognizing the significant role of informal trade, policies should aim to support and formalize these activities without stifling them. Governments and NGOs can work together to create supportive environments for informal traders, such as providing market spaces, reducing bureaucratic hurdles, and offering incentives for compliance. Programs that offer microloans and business development services can empower informal traders, helping them to scale their businesses and contribute more effectively to the economy.

Key areas for infrastructure improvement include road networks, market facilities, and basic services such as healthcare and education. Improving road connectivity is crucial for reducing transportation costs and ensuring timely access to markets. Additionally, enhancing market infrastructure with adequate facilities for storage, sanitation, and security can significantly boost trade activities. Expanding healthcare and educational services will also support the overall well-being of the population, thereby contributing to a more stable and productive workforce.

To implement these improvements, a multi-stakeholder approach involving government, private sector, and international donors is essential. Public-private partnerships can mobilize the necessary resources and expertise to develop infrastructure projects. Prioritizing investments in technology, such as mobile-based market information platforms, can enhance transparency and efficiency in trade activities. Regular assessments and feedback from the local communities should guide the implementation process to ensure that the initiatives meet their needs and contribute to sustainable development.

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