

TRANSBORDER MOBILE MONEY PLATFORMS

IN THE GREATER SOMALI ECONOMIC SPACE

Ahmed M Musa



Rift Valley Institute
MAKING LOCAL KNOWLEDGE WORK

XCEPT

CROSS-BORDER CONFLICT
EVIDENCE / POLICY / TRENDS

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XCEPT PROGRAMME

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COVER

Designed by Maggie Dougherty.

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SUMMARY

The informal transborder movement of goods and people have long captivated scholars, policymakers and security institutions in the East Africa region, in particular in the Horn of Africa (HoA). Special attention has been given to the transborder economic activities within what is referred to as the 'greater Somali economic space'. This area encompasses Somali-inhabited territories in Somalia/Somaliland, Kenya, Ethiopia and Djibouti, where people have strong social and trade relations that predate *de jure* borders.

Authorities within the greater Somali economic space implement policies, regulations and controls based on various (at times competing) logics, including security, revenue mobilization and discouraging (although some authorities encourage) informal transborder economic activities. The sometimes unrealistic nature of these policy actions adversely affects people's livelihoods and disrupts smooth transborder economic activity. As a result, these policies drive transborder economic activities into informality and legal ambiguity. This is especially the case for low and middle-income traders.

This leads them away from formal institutions and official border crossings and records. Instead, they rely on their social ties and institutions, which play a pivotal role in facilitating the operation of informal and legally ambiguous transborder economic activities. In the end, this informality fosters an inherent mutual mistrust between formal institutions and state actors on one side, and the borderland communities and those engaging in informal transborder activities, on the other. This study of transborder mobile money transactions and transfers (MMTs) in the greater Somali economic space is situated in relation to these dynamics.

KEY FINDINGS

- In recent years, transborder MMTs have increasingly been integrated into informal transborder trade. They often exhibit parallels with traditional transborder activities such as livestock and commodities trading in terms of their drivers, informality and legal ambiguities.
- Two systems of transborder MMTs prevalent in the greater Somali economic space are mobile money, utilizing unstructured supplementary service data (USSD) technology, and mobile wallets, which are supported by applications (mobile apps).
- Two aspects of telecommunications infrastructure facilitate transborder mobile money transactions. The first is more common. It is a system that utilizes the accessibility of telecom networks on both sides of border areas and takes advantage of the fact that many people living in border areas can have more than one national

identity card. This allows people and traders in border areas to have mobile money accounts from neighbouring countries. The second, less prevalent form of transborder mobile money utilizes telecom network roaming services to facilitate transactions across borders when mobile money users travel to a different country.

- Mobile wallets, application-based mobile systems provided by financial institutions, facilitate transborder transfers and transactions. While primarily used by educated and professional social groups, mobile money applications are also accessed by less educated users, such as '*shaari-shaari*' (female cross-border petty traders), through the assistance of educated friends and family members familiar with the technology. These wallets rely on bank accounts, smartphones, mobile internet data and the requisite level of technological literacy.
- In Ethiopia, mobile money and mobile wallets operate solely in Ethiopian birr. However, US dollar account wallets, provided by banks in Somaliland, are commonly used by many educated and professional groups in the Somali Regional State (SRS) of Ethiopia.
- Most banks in the region have introduced mobile money and mobile wallets to increase access to their financial services. Nonetheless, not all of them are integrated into transborder MMTs. Integration occurs largely along ethnic lines, as platforms owned by investors and businesspeople from border communities tend to have more flexible internal controls and requirements to facilitate transborder economic activities. In contrast, mobile money platforms owned by investors and financial institutions distant from the border areas often enforce stricter controls and adhere more rigorously to government regulations.
- Despite potential loopholes in MMTs, there do not appear to be either specific or significant insecurities (such as money laundering) associated with transborder MMTs. Importantly, however, the exploratory nature of this research, coupled with the limited sample size and reluctance among informants to discuss some types of activities (or a lack of knowledge about how customers are using mobile money platforms), may influence these findings.
- The HoA Digital Market Integration (HDMI) project aims to bolster regional integration efforts among Djibouti, Ethiopia, Somalia, South Sudan and Sudan, contributing to an envisioned single African digital market. The findings from this study on transborder MMTs in the greater Somali economic space inform HDMI by highlighting challenges that need to be addressed to achieve a more inclusive and formal digital market integration.
- Some significant research gaps persist in transborder mobile money transactions (MMTs). Firstly, it is unclear what data is or could be captured by institutions and authorities from these transactions. Unlike cash transactions, MMTs generate digital data that can be collected and utilized for various purposes. Secondly, the actual security impact of transborder MMTs, as opposed to the perceived impact, remains insufficiently understood.
- In Ethiopia, the unstable foreign exchange market and dollar shortages are interconnected economic challenges that significantly impact the national economy.

Consequently, any business activity or technology that appears to circumvent government regulations is viewed by national authorities as a threat. However, transborder economic activities inherently require foreign hard currency, such as US dollars, and currency exchange. This situation places those involved in transborder trade in a difficult position, caught between the demands of the cross-border market—which necessitates US dollars and forex—and stringent government restrictions that often overlook the realities of cross-border trade.

በሰፊው የሶማሊ የኢኮኖሚ ምኅዳር ውስጥ ያሉ ደድንበር ተሻጋሪ የሞባይል ገንዘብ ዝውውር አውታሮች

በአህመድ ሙሳ

ማጠቃለያ

በምስራቅ አፍሪካ ቀጠና፣ በተለይም በአፍሪካ ቀንድ የሚታየው የሽቀጦች እና ሕዝቦች ኢ-መደበኛ እንቅስቃሴ ምሁራንን፣ ፖሊሲ ቀያሾችን እና የደንበኞች ተቋማትን ትረኩረት ሲሰብ ቆይቷል። ከዚህም አኳያ በዋነኝነት <የሰፊው የሶማሊ የኢኮኖሚ ምኅዳር> የተሰኘው የሶማሊያ/ሶማሊላንድ፣ የኬንያ፣ የኢትዮጵያ እና የጅቡቲ ግዛቶችን የሚያጠቃልለው ድንበር ተሻጋሪ የኢኮኖሚ እንቅስቃሴ ልዩ ትኩረት ተሰጥቶታል። የነዚህ አካባቢ ነዋሪዎች አሁን ካሉት ሕጋዊ የአገሮች ድንበሮች አስቀድመው የነበሩ ጠንካራ ማኅበራዊ እና የንግድ ግንኙነቶች አላቸው።

በሰፊው የሶማሊ የኢኮኖሚ ምኅዳር ውስጥ ያሉ መንግሥታት መደበኛ ያልሁኑ ድንበር ተሻጋሪ የኢኮኖሚ እንቅስቃሴዎችን ለመግታት በደህንነት፣ ገቢ ማመንጫ እና በሌሎች የተለያዩ ምክንያቶች ላይ የተመሠረቱ ፖሊሲዎችን፣ ደንቦችን እና ቁጥጥሮችን ያስቀምጣሉ። ይሁን እንጂ እነዚህን የኢኮኖሚ እንቅስቃሴዎችን የሚገቱ ባለስልጣናት እንዳሉ፣ እንዳንደቸ እንቅስቃሴዎቹን ያበረታታሉ። እነዚህ ፖሊሲዎች እንዳንድ ጊዜ ከነበራዊው ሁኔታ ጋር ባለመጣጣማቸው፣ ድንበር ተሻጋሪ የኢኮኖሚ መስተጋብሩን በማስተጓጎል በሰዎች ኑሮ ላይ አሉታዊ ተጽዕኖ ያሳድራሉ። በዚህም ሳቢያ፣ እነዚህ ፖሊሲዎች የድንበር ተሻጋሪ የኢኮኖሚ እንቅስቃሴዎችን መደበኛ እንዳይሆኑ የሕግ ግልፅነት እንዳይኖር ያደርጋሉ። ይህ በተለይም ዝቅተኛ እና መካከለኛ ገቢ ያላቸው ነጋዴዎች እውነታ ነው።

ይህ አሰራር የአካባቢውን ከመደበኛ ተቋማት፣ በደፋዊ/ሕጋዊ የድንበር ማቋረጫዎች እና መዝገቦች በማራቅ፣ ሕጋዊነታቸው ያልተረጋገጡ ድንበር ተሻጋሪ ግብይቶችን እና እንቅስቃሴዎችን እንዲቀላጠፉ ያበረታታል። በተጨማሪም፣ ምህዳሩ በመደበኛ ተቋማት እና በመንግሥት ተዋናዮች መካከል፣ እንዲሁም በድንበሮች ዙሪያ በሚኖሩ ማኅበረሰቦች እና በግብይቷቸው ተሳታፊዎች መካከል አለመተማመን ያመጣል። ይህ ጥናት በሰፊው የሶማሊ የኢኮኖሚ ምህዳር ውስጥ በሚታየው ተለዋዋጭ ሁኔታ በድንበር ተሻጋሪ የሞባይል ገንዘብ ግብይቶች እና ዝውውሮች (MMTs) ላይ ያተኮረ ሲሆን፣ እነዚህ የኢኮኖሚ እንቅስቃሴዎች በማኅበራዊ ግንኙነቶች እና ተቋማት ዙሪያ እንዴት እንደሚሠሩ ያሳያል።

ዋና ዋና ግኝቶች፡-

- ከቅርብ ዓመታት ወዲህ፣ በድንበር ተሻጋሪ የሞባይል ገንዘብ ዝውውሮች እና በኢ-መደበኛ ድንበር ተሻጋሪ ግብይቶች መካከል ያለው ግንኙነት እያደገ መጥቷል። እነዚህ ዝውውሮች ከምክንያቶቻቸው መደበኛ ካለመሆናቸው እና ከሕጋዊነታቸው አኳያ አንድ የአንሰሳት እና የሽቀጥ ንግድ ካሉ ባህላዊ እንቅስቃሴዎች ጋር ይመስላሉ።
- በሰፊው የሶማሊ የኢኮኖሚ ምኅዳር ውስጥ ስስፋፋ የቆዩት ሁለቱ ድንበር ተሻጋሪ የሞባይል ገንዘብ ዝውውሮች፣ አጫጭር ቁጥሮች (USSD) ቴክኖሎጂን የሚጠቀመው የሞባይል ገንዘብና በመተግበሪያዎች

የሚሠሩ የሞባይል ዋሌቶች ናቸው።

- ድንበር ተሻጋሪ የሞባይል ገንዘብ ዝውውሮችን በሁለት ዓይነት የቴሌኮሙኒኬሽን መሠረት ልማት አውታሮች ማከናወን ይቻላል። የመጀመሪያው የተለመደ ሲሆን፣ አብዛኛው የድንበር አካባቢ ነዋሪዎች ከአንድ በላይ ብሔራዊ መታወቂያ ስለሚኖራቸው፣ የቴሌኮም ኔትወርኮችን በመጠቀም በአጎራባች ሀገራትም የሞባይል ገንዘብ አካውንት እንዲኖራቸው የሚያስችል አሠራር ነው። ሁለተኛው ደግሞ የሞባይል ገንዘብ ተጠቃሚዎች ወደ ተለያዩ ሀገሮች በሚጓዙበት ጊዜ የቴሌኮም ኔትወርክ ሮሚንግ አገልግሎቶችን ለድንበር ተሻጋሪ ግብይት መጠቀምን የሚያስችል ነው።
- በፋይናንስ ተቋማት የሚቀርቡ የሞባይል ዋሌት መተግበሪያዎች ድንበር ተሻጋሪ ዝውውሮችን እና ግብይቶችን ስለሚያቀላጥፉ በርካታ ተጠቃሚዎችን አፍርተዋል። በተለምዶ እነዚህን መተግበሪያዎች ከሚጠቀሙት የተማሩ የንብረሰቦች ክፍሎች በተጨማሪ፣ እንደ 'shaari-shaari' (ድንበር ተሻጋሪ ሴት ነጋዴዎች) ያሉ በመደበኛ ትምህርት ያልገፉ ተጠቃሚዎች ችተታው ካላቸው ጓደኞቻቸው እና ቤተሰቦቻቸው እርዳታ በማግኘት ይጠማሉ። እነዚህ ዋሌቶች አገልግሎት ለመስጠት የባንክ አካውንት፣ ስማርትፎን፣ የአንተርኔት ዳታ እና ስለቴክኖሎጂ የተወሰነ አውቀትን ይፈልጋሉ።
- የኢትዮጵያ የሞባይል ገንዘብ እና ዋሌቶች አገልግሎት የሚሰጡት በኢትዮጵያ ብር ብቻ ቢሆንም፣ በሶማሌላንድ ግን የአሜሪካ ዶላር አካውንት ዋሌቶች ስለሚሰሩ ከኢትዮጵያ የሶማሌ ክልል ነዋሪዎች ተጠቃሚዎችን አፍርተዋል።
- በክልሉ ያሉ በርካታ ባንኮች አገልግሎታቸውን ለማሻሻል የሞባይል ገንዘብ እና የሞባይል ዋሌቶችን በተገባዊ ቢያደርጉም፣ ሁሉም ከድንበር ተሻጋሪ ግብይቱ ጋር አልተዋቃዱም። የውጤቱ ሂደት በአብዛኛው በጎሳ ላይ የተመሠረተ ሲሆን፤ በባለሀብቶች እና በነጋዴዎች ዘንድ የሚመረጡት አውታሮች ልል የሆነ የውስጥ ቁጥጥር ያላቸው ናቸው። በአንፃሩ ከድንበር ራቅ ብለው የሚገኙና በውጭ ባለሀብቶች እና በፋይናንስ ተቋማት ባለቤትነት የተያዙ የሞባይል ገንዘብ ማስተላለፊያ አውታሮች ጥብቅ ቁጥጥር ያላቸው እና የመንግሥት መርሆችን በጥብቅ የሚከተሉ ናቸው።
- ምንም እንኳን የሞባይል ገንዘብ ዝውውር አውታሮች ውስጥ አንዳንድ ክፍተቶች ቢኖሩም፣ ከድንበር ተሻጋሪ ግብይቶች ጋር የተያያዙ ጉልህ የደንገንነት ስጋቶች (ከገንዘብ ጋር ተያያዥነት ያላቸው ሕገ-ወጥ ተግባራት) ያሉ አይመስሉም። ይሁን እንጂ የጥናቱ ዳሰሳዊ ባህሪ፣ ከተወሰደው አነስተኛ የሙያ ቁጥጥር ነንዲሁም አንዳንድ (ባለማወቅ ወይም በሌሎች ምክንያቶች) ሰዎች ለጥናቱ መረጃ ለመስጠት ፈቃደኛ አለመሆናቸው በግኝቱ ላይ ተፅዕኖ ሊያሳድር ይችላል።
- የአፍሪካ ቀንድ ዲጂታል ገበያ ትስስር (HoA Digital Market Integration (HDMI)) በመባል የሚታወቀው ፕሮጀክት በጅቡቲ፣ በኢትዮጵያ፣ በሶማሊያ፣ በደቡብ ሱዳን እና በሱዳን መካከል ያለውን ቀጣናዊ ዲጂታል ትስስር ለማሳደግ ያለመ ሲሆን፤ በአፍሪካ ወጥ የሆነ የዲጂታል ገበያ ለመመሥረት ለታሰበው ውጤት አስተዋፅዖ ያበረክታል። የሰፊው የሶማሊ ኢኮኖሚ ምንዳር ድንበር ተሻጋሪ ግብይት ዙሪያ የተደረገው ይህ ጥናት፣ ግብይቱን አካታች አድርጎ የዲጂታል ገበያ ውጤቶችን ለማምጣት መታለፍ ያለባቸውን መሰናክሎች ይገልጻል።
- በድንበር ተሻጋሪ የሞባይል ገንዘብ ዝውውሮች ረገድ አሁንም ጉልህ ክፍተቶች ቀጥለዋል። በመጀመሪያ፣ ከእነዚህ ግብይቶች በተቋማት እና በባለሥልጣናት ደረጃ ሊገኝ የሚችለው መረጃ አይታወቅም። በግብይቶቹ የሚከላከሉት የገንዘብ ልውውጥ በአብዛኛው ዲጂታል ስለሆኑ፣ መረጃዎቹን በቀላሉ መሰብሰብና ጥቅም ላይ ማዋል ይቻላል። በሁለተኛ ደረጃ፣ የድንበር ተሻጋሪ የሞባይል ገንዘብ ዝውውሮች ትክክለኛ የደንገንነት ተፅዕኖ ላይም በቂ ግንዛቤ የለም።
- ኢትዮጵያ ውስጥ ያልተረጋጋው የውጭ ምንዛሪ ገበያ እና የዶላር አጥረት በሀገሪቷ ኢኮኖሚ ላይ ከፍተኛ ተፅዕኖ እያሳደረ ይገኛል። በዚህም ምክንያት ከመንግሥት ሕግጋት ጋር የሚቃረኑ የሚመስሉ ማንኛውም እንቅስቃሴዎች በመንግሥት እንደ ሥጋት ይቆጠራሉ። ይሁን እንጂ፣ ለማንኛውም ድንበር ተሻጋሪ የኢኮኖሚ ግብይት አንደ አሜሪካ ዶላር ያሉ የውጭ ምንዛሪዎች የግድ ያስፈልጋሉ። ይህም ከከባድ የመንግሥት ደንቦችና መርሆዎች ጋር ተዳምር በዚህ ንግድ ላይ የሚሰማሩ ሰዎችን አጣብቂኝ ውስጥ ከቷቸዋል።

Nidaamyada lacagaha mobile-ka la iskugu gudbiyo ee xuduudaha ka gudba ee aagga dhaqaalaha ee dhulka soomaalida

Ahmed m musa

Soo-koobid:

Dhaqdhaqaaqa isku-socodka badeecadaha iyo dada ee aan tooska ahayn ee xuduudaha ka gudba ayaa in muddo ah soo jiidatay cimli baadhayaasha, khubarada dajisa siyaasadaha, iyo hay'adaha amniga ee gobolka bariga Africa, gaar ahaan geeska Africa. Waxaa fiiray gaar ah la siiyey eegida dhaqdhaqaaqyada dhaqaale ee ka jira waxa loo yaqaan 'dhul weynaha dhaqaalaha Soomaalida'. Aaggaani wuxuu ka kooban yahay dhulka ay Soomaalidu ku nool yihiin ee ku yaal Soomaaliya/Somaliland, Kenya, Itoobiya, iyo Jabuuti, halkaas oo dadku ay leeyihiin xidhiidho bulsho iyo ganacsi oo soo jiray intii ka horreysay xuduudaha sharciga ah.

Maamulada ka jira dhul weynaha dhaqaalaha Soomaalida ayaa fuliya siyaasado, xeerrar, iyo xayn-daabyo ka turjumaya dano kala duwan (mararka qaarna dano iska soo horjeeda) oo ay ka mid yihiin amniga, ururinta dakhliga iyo yareynta (inkasta oo qaar ka mid ah maamulladu dhiirigeliyaan) dhaqdhaqaaqyada dhaqaale ee aan tooska/rasmiga ahayn ee xuduudaha ka gudba. Siyaasadahan/Tallaabooyinka oo mararka qaar aan ahayn kuwo waaqica ku salaysan ayaa si xun u saameeya nolol-maalmeedka dadka waxayna carqaladeeyaan dhaqdhaqaaqyada dhaqaale ee xuduudaha si habsami leh uga gudba. Saamaynta siyaasadahan/tallaabooyinkan waxay u horseedaan dhaqdhaqaaqyada dhaqaale ee xuduudaha ka gudba inay noqdaan kuwo aan rasmi ahayn oo sharci ahaan aan caddeyn. Tani gaar ahaan waxay saameyn ku yeelataa ganacsatada dakhligoodu yar yahay iyo kuwa dhexdhexaadka ah.

Tani waxay ka fogaynaysaa xarumaha dawladda ee sharciga ah, iyo isticmaalka xadka sharciga ah iyo diwaangalintiisa, taa bedelkeeda, waxay ku tiirsan yihiin xidhiidhkooda bulsho iyo hay'ado aan toos ahayn, kuwaas oo door muhiim ah ka ciyaara fududeynta hawlgallada dhaqdhaqaaqyada dhaqaale ee xuduudaha ka gudba ee aan tooska/rasmiga ahayn islamarkaana sharci ahaan madmadowgu ku jiro. Ugu dambeyna, qaab-dhismeedkan aan tooska/rasmiga ahayn wuxuu kobciyaa kalsooni darro u dhexeysa hay'adaha sharciga iyo xarumaha dawladda ee u xilsaaran oo dhinac ah, iyo bulshooyinka xuduudaha ku yaal iyo kuwa ku hawlan dhaqdhaqaaqyada aan tooska/rasmiga ahayn ee xuduudaha ka gudba dhinaca kale ah. Daraasaddani waxa ay diirada saaraysaa isku-socodka lacagaha mobile-ka la isugu diro ee xuduudaha ka tallaaba e dhul weynaha dhaqaalaha Soomaalida.

Maxsuulka muhiimka ah ee kasoo baxay daraasada:

- Sannadihii ugu dambeeyay, waxa lacagaha mobile-ka la iskugu diro ee xuduudaha ka gudba ee loo yaqaano (transborder mobile money transfer) si xoog ah ugu darsamay ganacsiga aan tooska/rasmiga ahayn ee xuduudaha ka gudba. Waxa ay si buuxda iskaga shabahaan ganacsiga soo jireenka ahaa ee xoolaha, iyo baayacmushtarka dadka fududeeya, madmadowga sharci ee ku jira iyo in aanay ahayn ganacsi toos/rasmi ah.
- Laba nidaam oo lacagaha mobilada ee xuduudaha ka gudba oo caadi ka ah aagga dhaqaalaha Soomaalida waa lacagaha mobilada/telefoonada oo adeegsanaya tiknoolajiyada USSD (Unstructured Supplementary Service Data) iyo jeebabka mobilada oo ay taageeraan codsiyo (mobile apps).
- Laba qodob oo ka mid ah kaabayaasha isgaarsiinta ayaa fududeeya lacagaha mobilada ee xuduudaha. Midka hore ayaa caadi ah. Waa nidaam ka faa'iideysanaya helitaanka shabakadaha isgaarsiinta labada dhinac ee xuduudaha iyo xaqiiqda ah in dad badan oo ku nool xuduudaha ay lahaan karaan kaarar aqoonsi qaran oo kala duwan. Tani waxay u oggolaansaa dadka iyo ganacsatada ku nool xuduudaha inay yeeshaan akoono lacag mobile ah oo ka yimid dalalka deriska. Nidaamka labaad oo yar ayaa adeegsada adeegyada shabakada roaming si loo fududeeyo lacagaha marka dadka isticmaala lacagaha mobilada ay u safaaran dal kale.
- Jeebabka mobilada, nidaamyada codsiga mobilada ee ay bixiyaan hay'adaha maaliyadeed, waxay fududeeyaan wareejinta iyo wax kala iibsiga xuduudaha. Inkastoo badanaa loo isticmaalo kooxaha bulsho ee waxbartay iyo xirfadlayaasha, codsiyada lacagaha mobilada waxaa sidoo kale isticmaala dadka aan waxbaran sida 'shaari-shaari' (dumar ganacsiga yar yar ee xuduudaha ka gudba), iyadoo la kaashanaya saaxiibo iyo xubno qoys oo waxbartay oo aqoon u leh tiknoolajiyada. Jeebabkani waxay ku tiirsan yihiin akoono bangi, taleef-annada casriga ah, xogta internetka mobilada iyo heerka aqoonta tiknoolajiyada ee loo baahan yahay.
- Ethiopia, lacagaha mobilada iyo jeebabka mobilada waxay kaliya ku shaqeeyaan lacagta birr-ka Itoobiya. Si kastaba ha ahaatee, akoono jeebab dollar Mareykanka ah, oo ay bixiyaan bangiyada Somaliland, waxaa caadi u isticmaala kooxaha waxbartay iyo xirfadlayaasha ee ku sugan gobolka Soomaalida Itoobiya (SRS).
- Inta badan bangiyada gobolka waxay soo bandhigeen lacagaha mobilada iyo jeebabka mobilada si ay u kordhiyaan helitaanka adeegyada maaliyadeed. Si kastaba ha ahaatee, dhammaantood uma aysan darin nidaamyada lacagaha mobilada ee xuduudaha. Isdhexgalka wuxuu inta badan ka jiraa xuduudaha qowmiyadaha, iyadoo barnaamijiyada ay leeyihiin maalgeliyayaasha iyo ganacsatada beelaha xuduudaha ay leeyihiin xakameyn gudaha oo dabacsan iyo shuruudo yaryar si ay u fududeeyaan dhaqaalaha xuduudaha. Taas bedelkeeda, barnaamijiyada lacagaha mobilada ee ay leeyihiin maalgeliyayaasha iyo hay'adaha maaliyadeed ee fog xuduudaha waxay inta badan ku adkeyaan xakameynta oo ay raacaan shuruud dowlada.
- Inkastoo suurtoalnimada godad ku jira lacagaha mobilada ee xuduudaha, ma jiraan wax caddeyn ah oo muujinaya amni-darrooyin gaar ah ama waaweyn (sida dhaqaale wareejinta) ee la xidhiidha lacagaha mobilada ee xuduudaha. Si kastaba ha ahaatee, cilmi-baarista tijaabada ah iyo tusaalaha kooban iyo diidmada dadka xog-warramaya in ay ka hadlaan

qaar ka mid ah waxqabadka (ama aqoon la'aanta sida macaamiishu u isticmaalayaan barnaamijyada lacagaha mobilada) waxay saameyn kartaa natiijadan.

- Mashruuca Isku-xidhka Suuqa Dijitalka ee Geeska Afrika (HDMI) wuxuu ujeedkiisu yahay in kor loo qaado dadaallada isdhexgalka goboliga ee u dhexeeya Djibouti, Ethiopia, Somalia, South Sudan iyo Sudan, taasoo qayb ka ah yoolka suuqa dijitalka ee midaysan ee Afrika. Natiijooyinka cilmi-baarista ee ku saabsan lacagaha mobilada ee xuduudaha ee aagga dhaqaale ee Soomaalida waxay iftiiminayaan caqabadaha u baahan in la xalliyo si loo gaaro isdhexgalka suuqa dijitalka ee loo wada dhan yahay oo rasmi ah.
- Qaar ka mid ah godad cilmi-baaris ayaa weli ka jira lacagaha mobilada ee xuduudaha. Marka hore, lama oga waxa xog ah ee ay hay'adaha iyo maamulka ka ururin karaan ama ka ururin doonaan macaamiladan. Si ka duwan macaamilka lacagta caddaanka ah, lacagaha mobilada waxay soo saaraan xog dijital ah oo la ururin karo loona adeegsan karo ujeedooyin kala duwan. Marka labaad, saameynta amniga ee dhabta ah ee lacagaha mobilada ee xuduudaha, marka laga reebo saameynta la dareemayo, weli si wanaagsan looma fahmin.
- Itoobiya, suuqa sarrifka ajnabiga ah ee aan degganeyn iyo yaraanta dollarka ayaa ah caqabado dhaqaale oo isku xiran oo si weyn u saameeya dhaqaalaha qaranka. Sidaas darteed, waxqabad kasta oo ganacsi ama tiknoolajiyad ah oo u muuqata mid hareeraysa xeerarka dowlada waxaa loo arkaa inay khatar tahay. Si kastaba ha ahaatee, dhaqdhaqaaqyada dhaqaalaha ee xuduudaha waxay si dabiici ah ugu baahan yihiin lacag adag oo ajnabi ah, sida doolarka Mareykanka, iyo sarrifka lacagta. Xaaladdan waxay dadka ku lug leh ganacsiga xuduudaha ku gelinaysaa xaalad adag, iyagoo dhexda uga jira baahida suuqa xuduudaha—taas oo u baahan doolarka Mareykanka iyo sarrifka lacagta—iyo xakameynta adag ee dowlada oo inta badan iska indhatira xaqiiqada ganacsiga xuduudaha.

MAP: STUDY SITES SHOWING TRADE AND DIGITAL MOBILE MONEY CORRIDORS



INTRODUCTION

The cross-border, or transborder, movement of goods and people has long been a subject of interest for scholars, policymakers and security institutions in East Africa.¹ While sharing similarities with the wider East Africa region, in the Horn of Africa (HoA), the transborder economy within the ‘greater Somali economic space’,² which encompasses the interconnected economies in the Somali-inhabited areas in Somalia/Somaliland, Kenya, Ethiopia and Djibouti, garners special attention. This is due to large-scale informal transborder trade and security challenges that have resulted from both a history of border contestations and the intertwined social and economic realities of these borderlands. Central authorities in the HoA region often implement security and revenue mobilization policies that lack simplification and harmonization, inadvertently affecting smooth transborder movement of trade, especially for low and middle-income traders. In part, these policies push transborder economic activities into informality, outside formal institutions and away from official border crossings and official documentation.

To live with these realities, borderland communities and those engaging in transborder economic activities effectively utilize their social ties. This informality, however, contributes to an inherent mutual mistrust between formal institutions and state actors, on one hand, and the borderland communities and those engaging in informal transborder activities, on the other. Borderland communities and transborder economic actors often perceive formal institutions as a hindrance to their economic activities. Consequently, they adapt to coexist with institutions and policies they consider disconnected from the practical realities of border regions. Meanwhile, formal authorities become increasingly suspicious of borderland communities and transborder economic activities that they see as contributing to economic instability in various ways; for example, through loss of foreign exchange, unfair competition with official economic

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- 1 In East Africa, researchers often use the terms ‘cross-border’ and ‘transborder’ interchangeably. In this study, the term ‘transborder’ is used to indicate that mobile money systems involve more than one country. This choice implies that not all mobile money systems operate on a cross-border basis. Rather, there is a range of practices—often involving different agents and networks on both sides of the border—enabling these systems to be utilized in transactions that effectively cross borders.
 - 2 Hagmann and Stepputat’s recent edited volume on the impact of trade on state-making in the Horn of Africa has foregrounded the idea of a ‘greater Somali economy’ that stretches across the borders of Somalia (and Somaliland) into parts of Kenya, Ethiopia, and Djibouti. These territories are predominantly inhabited by people who identify ethnically as Somalis, speak dialects of the Somali language, and see themselves as part of kinship networks that often reach across these borders. Other ethnic groups also inhabit these areas and play important roles in these economies. Nonetheless, the interconnectedness of cross border Somali trade networks has long been emphasised as central to economic activity and governance dynamics in the wider region. See: Tobias Hagmann and Finn Stepputat, eds., *Trade Makes States: Governing the Greater Somali Economy*, Oxford: Oxford University Press, 2023.

activities and loss of revenues, and as a driver of insecurity.

One enduring impact of colonialism in the HoA is the complex reality faced by Somalis, who have historically found themselves separated by the borders created between Djibouti, Kenya, Ethiopia and Somalia (along with the de facto independent Republic of Somaliland since 1991). Established during the colonial period, these borders have long contributed to political mistrust and contestation, and—perhaps most importantly—to the peripheral status of borderland areas. Somalis, particularly those residing in the borderlands, have had to navigate the challenges of their *de jure* existence within specific political boundaries while maintaining transborder social and economic ties that pre-date colonial and postcolonial states and boundaries.

Kenya, Ethiopia and Somalia/Somaliland have historically maintained economic relations in their borderlands, although these have frequently been disrupted by wars, instability, border closures and restrictions on the movement of people and goods. Moreover, the lack of institutional infrastructure in borderland areas, combined with economic and security policies that aim to advance the political and economic objectives of central authority, have increased the prevalence of informal transborder economies. The ways in which economic relations are governed across Somali borderlands by different states ‘are shaped by the exceptional nature and logic of borderlands’.³

Key commodities such as livestock and imported goods have been central to informal transborder economic activities, particularly since 1990 following the breakdown of the central government in Somalia. The post-1991 expansion of transborder economic activities can be attributed to the global rise in trade spurred by globalization and de facto economic privatization in Somalia/Somaliland. Some commodities, such as *khat*,⁴ have predominantly remained under official control or regulation, however, due to their high value and perishable nature, and are typically traded by wealthier merchants with state connections.

Over the past decade, a digital financial transformation has swept through the HoA, with Kenya and Somalia emerging as leaders in this regional revolution. Since 2007, Kenya has pioneered the introduction of mobile money in the region and now boasts a more regulated digital financial sector. Inspired by Kenyan success, Somalia/Somaliland adopted mobile money services in 2009, making significant advancements in mobile money adoption, which is closely intertwined with private and semi-regulated telecom and banking sectors. While initially lagging behind its neighbours, Ethiopia has seen progress since 2020, after the country embarked on a path of economic reforms aimed at promoting privatization and enhancing digital services.

Digitization has undoubtedly transformed domestic economic activities in some HoA countries, transforming people’s relationship with money as these countries transition toward increasingly

3 Tezera Tazebew and Asnake Kefale, ‘Governing the Economy: Rule and Resistance in the Ethiopia-Somaliland Borderlands’, *Journal of Eastern African Studies* 15/1 (January 2021): 148.

4 *Khat* is a mildly narcotic plant (*catha edulis*) native to the HoA.

cashless economies through the proliferation of mobile money services. There is, however, a critical gap in understanding how this digital transformation is unfolding in peripheral borderlands. It is essential to examine how digitization interacts with existing transborder economic activities and whether it is facilitating new transborder economic activities. Exploring the implications of transborder digital payment systems on security and state policies and institutions is also crucial for policymakers and development organizations. While transborder trade in East Africa, including within the greater Somali economic space, is important, it has often been poorly understood by observers, policymakers and some academics.⁵ Consequently, it has been argued that regulation, taxation and policing should be increased to force unofficial transborder trade into official market channels.⁶

METHODOLOGY

This study of transborder mobile money transactions and transfers (MMTs) is designed to inform policymakers and development organizations. African leaders envision an inclusive digital economy that strengthens existing economic sectors across the continent. In 2020, the African Union commissioned the Digital Transformation Strategy for Africa (2020–2030) to guide a coordinated response aimed at harnessing the benefits of the fourth industrial revolution. The goal of this digital strategy is twofold: 1) to build a secure digital single market in Africa by 2030, wherein individuals and businesses can access and engage in online activities, including transborder payment systems, in alignment with the African Continental Free Trade Area; and 2) to combat fraud by increasing the security and traceability of transactions.⁷ In 2022, the African Development Bank Group launched the HoA Digital Market Integration (HDMI) project.⁸ This initiative supports Djibouti, Ethiopia, Somalia, South Sudan and Sudan in accelerating regional integration efforts as part of the envisioned single African digital market.

To bridge the gap and expand understanding of how the proliferation of mobile money services is unfolding in peripheral borderlands, an exploratory study of this digital transformation was conducted. This analysis draws upon 19 interviews conducted in Nairobi, Addis Ababa, Jigjiga and Tog’wajaale (also spelled Togochale or Wajale) between November and December 2023. The interviews in Nairobi focus on transborder mobile money transactions between Somalia and Kenya, while those conducted in Addis, Jigjiga and Tog’wajaale focus on transborder mobile money transactions between the Somali Regional State (SRS) of Ethiopia and Somaliland. The

5 Peter D Little, ‘Unofficial Transborder Trade in Eastern Africa’, in *Food Security in Africa: Market and Trade Policy for Staple Foods in Eastern and Southern Africa*, eds. Alexander Sarris and Jamie Morrison, Cheltenham: Edward Elgar Publishing, 2010.

6 Little, ‘Unofficial Transborder Trade’.

7 African Union, ‘The Digital Transformation Strategy for Africa (2020–2030)’, Addis Ababa: African Union, 2020. Accessed 18 April 2024, https://openresearch-repository.anu.edu.au/bitstream/1885/278587/1/GhaEcon_24.pdf.

8 ‘Horn of Africa Digital Market Integration (HDMI) Project - Phase 1 - Project Appraisal Report’, African Development Bank, 15 December 2022. Accessed 18 April 2024, <https://www.afdb.org/en/documents/multinational-horn-africa-digital-market-integration-hdmi-project-phase-1-project-appraisal-report>.

individuals interviewed are a diverse group, ranging from MMT and microfinance employees and managers, to users, security officials, money exchangers and *hawala* (traditional money transfer system) employees. The findings on transborder mobile money presented in this report may be limited by several noteworthy factors. These include the exploratory and tentative nature of the study, coupled with a limited sample size and timeframe, as well as reticence among research participants in Ethiopia and at the Tog'wajaale border.

TRANSBORDER MOBILE MONEY PLATFORMS

Kenya-based Safaricom pioneered the globally renowned M-Pesa (mobile money) service in 2007.⁹ Since then, mobile money has been widely emulated and adopted across Africa, with a total of USD 44.9 billion in mobile money transactions recorded across the continent in 2022.¹⁰ The East Africa region accounts for the majority of these transactions as mobile money remains the most prevalent mobile money transactions and transfers (MMT) system underpinning the unique digital financial ecosystem in this region.

In the greater Somali economic space, there are two prevalent MMT systems: mobile money and mobile wallets. Mobile money is a system that utilizes unstructured supplementary service data (USSD) technologies to allow people to send and receive digital money directly through their mobile phones. Mobile money is designed to address the challenges of limited access to traditional banks, smartphones and internet connectivity. After registering with a telecom network operator, mobile money allows customers to dial specific network-based codes (for example, *818#) to send money and check their balances. This system is primarily intended for domestic use as it often does not require a bank account. Instead, limited deposits and withdrawals (often still involving physical cash) are facilitated through a network of human agents authorized by the telecom network operator.

In contrast, mobile wallets require users to download an app they receive from their financial institution (banks and microfinance organizations or mobile money networks) to conduct a wide range of financial transactions. Mobile wallets are designed both to offer local and international accessibility and to cater for small or large transactions. Unlike mobile money, mobile wallets require smartphones and internet connectivity. They are also often linked to a bank account at a bank or a microfinance organization. While mobile money is largely a parallel financial system, mobile wallets require formal banking infrastructure and thus can enable services such as mobile money payments or mobile money banking. Globally, mobile wallets are gaining significant importance and widespread adoption and utilization.

Transborder mobile money services are becoming increasingly accessible in the greater

9 Tonny Omwansa, 'M-PESA: Progress and Prospects'. Innovations Case Discussion: Mobile World Congress. Nairobi: School of Computing and Informatics, University of Nairobi, 2009.

10 'Mobile Money Transaction Volume in Africa 2020 to 2022 (in billions), by region', Statista, 30 August 2023. Accessed 18 April 2024, <https://www.statista.com/statistics/1139403/mobile-money-transactions-africa/>.

Somali economic space. Two forms of technology (mobile money infrastructure) facilitate transborder transactions: telecommunication networks and roaming services. The first form is more common and utilizes the accessibility of telecom networks on both sides of the borderland. Communities residing in border areas are often able access the telecom networks of neighbouring countries. In some cases, individuals may also possess national IDs from the neighbouring country, allowing them to register mobile money accounts on both sides of the border. A mobile money user in Nairobi shares his experience:

It is common for a neighbouring country telecom network antenna and signal connections to be accessible on the other side of the border. In the border towns in the Somali territories, for example, in Mandera and Bulla Hawa towns along the Somalia–Kenya border, Somali networks are accessible in Mandera and Kenya networks are accessible in Bulla Hawa. Safaricom Kenya is widely used in Bulla Hawa, Somalia. As a result, residents in these border areas utilize these transborder connections to access transborder mobile money transfer services.¹¹

The second form of transborder mobile money utilizes telecom network roaming services, allowing mobile money users, when they travel across the region, to access their mobile money via roaming services between telecom providers.

Transborder mobile wallets facilitate digital payments and banking. As this study reveals, mobile wallets are primarily utilized by more educated and professional social groups. However, other social groups such as businesspeople, who may not be well educated or highly technologically literate, often access mobile wallets with the assistance of educated friends and family members familiar with the technology. The primary use of mobile wallets among the more educated and professional groups in the SRS is attributed to the reliance of mobile wallets on financial institutions, bank accounts, smartphones and internet connectivity, along with the requisite level of technological literacy.

Table 1 presents some mobile money and mobile wallets that are common in the greater Somali economic space and that could also facilitate transborder transactions and transfers. In Somalia/Somaliland, the mobile network operators (MNOs) that offer mobile money services have ownership and operational connections with financial institutions.

11 Interview with MMT user, Nairobi, 6 December 2023.

TABLE 1: COMMON MOBILE MONEY AND MOBILE WALLETS IN THE GREATER SOMALI ECONOMIC SPACE.

MOBILE MONEY				
	MOBILE NETWORK OPERATOR	MOBILE MONEY	COUNTRY OR AREA OF REGISTRATION	CONNECTIONS BETWEEN MNOs AND FINANCIAL INSTITUTIONS
1	Telesom	Zaad	Somaliland	In Somalia/Somaliland, there are established connections between MNOs and financial institutions, illustrating a trend toward convergence in the telecommunications and banking sectors.
2	Hormud Telecom	EVC	Southern Somalia	
3	Somtel	E-dahab	Somalia/Somililand	
4	Golis Telecom	Sahal	Puntland	
5	Ethiopian Telecom ¹²	Telebirr	Ethiopia	
6	Safaricom	M-Pesa	Kenya/Ethiopia	
MOBILE WALLETS				
	FINANCIAL INSTITUTION	MOBILE WALLETS	COUNTRY OR AREA OF REGISTRATION	For instance, Somtel telecommunications is a subsidiary of Dahabshiil, one of the largest Somali money transfer companies, which reflects the intertwining of telecom and financial services. Salaam Somali Bank/ Daara-Salaam Bank falls under the umbrella of the Hormuud Telecom Group, which owns and operates multiple mobile money platforms.
1	Dahabshiil	Dahab-plus	This application, developed by Dahabshiil financial institutions, operates globally.	
2	Galaxy Remittance	Galaxy	This application, founded by Somali Swedish individuals, operates globally.	
3	Iftin Express	Yeel	The application is owned by Iftin Hawala and operates globally.	
4	Telesom/ Hormuud Telecom	PaySii	This application is owned by the Telesom/ Hormuud family and operates globally.	
5	Premier Bank	Premier Wallet	Somalia/Kenya	
6	Salaam Somali Bank/Daara-Salaam Bank	Waafi	Somalia/Somaliland	
7	Rays MicroFinance	Sahay	Ethiopia	
8	KAAFI Microfinance	E-birr kaafi	Ethiopia	
9	Shabelle Bank (microfinance)	Hello cash	Ethiopia	
10	Sahal Microfinance	E-Sahal	Ethiopia	
11	Oromia cooperative bank	Ebirr	Ethiopia	

Source: fieldnotes

12 In Ethiopia all mobile money platforms use the Ethiopian Telecom network as their mobile network operator.

Whereas mobile money is primarily designed for domestic transactions and transfers, mobile wallets are designed for both domestic and international transactions and transfers. In border areas, however, mobile money has been integrated into transborder trade and transactions. According to a microfinance employee in Jigjiga:

The National Bank of Ethiopia does not permit international mobile money transactions. Nevertheless, due to national macroeconomic policies, such as foreign exchange rate controls and restrictions on accessing the US dollar through traditional banks, the mobile money system has become convenient for transborder transactions, including buying, sending and receiving money, as well as engaging in the trade of commodities and US dollars along Somali Regional State and Somaliland borders.¹³

Although most mobile money platforms are typically licensed in the jurisdiction of a single country, there are exceptions. For example, M-Pesa has been registered in both Kenya and Ethiopia since mid-2023. In Ethiopia, some mobile money platforms are reportedly owned by businessmen in Somalia/Somaliland in collaboration with banks in Ethiopia. Some mobile wallets owned by Somalia/Somaliland banks or *hawala* institutions also hold licenses in multiple countries.

13 Interview with microfinance and mobile money wallet owner business employee, Jigjiga, 14 November 2023.

DRIVERS OF TRANSBORDER MMTs

The drivers of transborder mobile money transactions and transfers (MMTs) in the greater Somali economic space exhibit significant parallels with prevalent informal transborder economic activities. Four aspects are relevant.

First, the bureaucratic nature of traditional financial systems, including limited access to banks, inefficiencies within these institutions and stringent regulations generally drive the high rate of adoption of mobile money and mobile wallets in the Somali Regional State (SRS) of Ethiopia. The microfinance institutions behind these mobile money services have provided solutions to many challenges encountered with traditional financial institutions in the region. At the border areas, engaging in official cross-border trade using traditional banks has always been a challenge.

Second, transborder MMTs seamlessly blend into the existing informal trade of goods and services across borders. They primarily facilitate the current informal transborder trade of goods and services but also have the potential to enable new informal transborder trade and services. Consequently, the drivers and challenges associated with informal transborder trade and services have extended to these informal transborder MMTs.

Third, transborder MMTs have emerged as a market response to price distortions, such as the difference between official and unofficial exchange rates on foreign currency, regulatory restrictions and the absence or inefficiency of formal channels for transborder money transfers. This is particularly notable in the border between Somaliland and the SRS, where restrictions imposed by the Ethiopian authorities have hindered formal transborder money transfer channels and where the distortion between the black market on foreign exchange and the formal market is significant. As a result, transborder MMTs often bypass governmental controls and restrictions, thus naturally gravitating towards unofficial markets.

Fourth, transborder MMTs heavily depend on trusted social connections and institutions for their operation. These social ties and institutions serve as lubricants for the digital infrastructure, enabling services such as transborder transactions to function even when they have not been explicitly designed for such purposes.

INFORMAL TRANSBORDER ECONOMY

Transborder MMTs have seamlessly integrated into the existing informal transborder economic

trade. This not only facilitates the transborder trade of traditional commodities but also enables new opportunities such as currency exchange businesses. The persistent hard currency deficit in Ethiopia, coupled with government-imposed restrictions on exchange rates and the devaluation of the Ethiopian birr (ETB), has compelled some business people and salaried employees in the SRS to save their surplus money in US dollars (USD) rather than in birr.

These individuals typically maintain mobile money or mobile wallet accounts outside Ethiopia. They utilize MMTs to convert their birr into US dollars, which are then deposited into their international accounts. When needed, they can withdraw money using MMTs, converting US dollars back into birr at black market rates, and depositing them into their Ethiopian mobile money accounts. Although these financial transactions are technically legal, the circumvention of government restrictions and controls has left those involved feeling anxious and hesitant to discuss such transborder transactions openly. Their anxiety is logical, given that government authorities and some analysts view these informal currency transactions as illicit.¹⁴ An employee at a digital company in Addis Ababa comments on this:

The informal transborder economy has persisted due to factors, such as the absence, limited access to or ineffectiveness of formal institutions and official channels supporting transborder trade. The same factors are pushing transborder mobile money transactions into the informal market. As long as government restrictions and policies continue to impact people's livelihoods, informal economic activities will endure, and emerging technologies will become integrated into these informal economies.¹⁵

Existing transborder economic activities such as livestock and commodities trading, as well as financial flows in East Africa and the Horn of Africa (HoA) are surrounded by considerable confusion as to whether such economic activities are legal and formal or illegal and informal. In the past, this has led to misinformed interventions (such as the confiscation of goods) that aim to force informal transborder trade into formal channels.¹⁶ Most transborder commerce involves legitimate goods, despite the perception that transborder activities often encourage illicit and illegal activities.¹⁷

Because MMTs have been so easily integrated into existing informal trade practices, this has led to the extension of the (negative) perceptions associated with informal transborder trade to transborder MMTs. Before the advent of transborder MMTs, however, informal financial arrangements such as credit systems and *hawala* remittances played a crucial role in facilitating

14 Messay Asgedom Goben and Tadesse Simie Metekia, 'Ethiopia's Informal Currency Exchanges: Validate or Veto?', ISS Africa, 11 May 2023. Accessed 18 April 2024, <https://issafrica.org/iss-today/ethiopias-informal-currency-exchanges-validate-or-veto>.

15 Interview with digital company employee, Addis Ababa, 18 November 2023.

16 Little, 'Unofficial Transborder Trade'.

17 Little, 'Unofficial Transborder Trade'.

transborder trade in East Africa and the HoA.¹⁸ Unable to access formal financial infrastructures to facilitate transborder trade, small and large-scale transborder traders alike have sometimes even resorted to physically transporting money, thus exposing themselves to risks such as confiscation by regulatory authorities or attack by bandits. The advent of MMT services has conveniently enabled transborder traders to transition to this digital solution, which reduces these risks.

BUREAUCRACY, RESTRICTIONS AND TRANSBORDER MMTS

Operating throughout the greater Somali economic space, transborder MMTs are most prevalent in some areas for specific reasons; for example, along the border between Somaliland and the SRS. The reasons for this are closely connected to political and economic changes that have taken place in Ethiopia over the past five years since the demise of the Ethiopia People's Revolutionary Democratic Front (EPRDF), the rise of Prime Minister Abiy Ahmed and the Prosperity Party, and subsequent efforts to liberalize what had previously been a highly centralized state-controlled economy. Ethiopia has also witnessed a market opening over the past five years, driven by government privatization and digitization policies. These policies have attracted transborder mobile money services such as M-Pesa from Kenya and electronic-birr, such as E-birr, Sahay, and others, some of which are owned by businessmen from Somalia, into the Ethiopian markets. As a senior member of a microfinance company explains, 'With the market opening in Ethiopia, business people from neighbouring countries, including our neighbour Somalia, have begun to invest in the Ethiopian market.'¹⁹

Simultaneously, the federal government in Ethiopia has imposed economic regulations such as the closing of formal commercial banks on the Ethiopian side of the border, tightening daily bank withdrawals and deposit limits, and restricting access to foreign hard currency (largely USD). Among other objectives, these measures all aim to control and regulate exchange rates and the outflow of hard currency from the country. They have also inadvertently propelled the growth of unofficial transborder MMTs, particularly along the border between the SRS and Somaliland. Although informal transborder trade between Somaliland and Ethiopia (particularly the SRS) is a well-established practice,²⁰ the introduction of MMTs and the emergence of new transborder economic activities—notably, the exchange rate trade facilitated by mobile money and mobile wallets—are relatively recent developments.

For the past three years, Ethiopia has grappled with shortages of foreign currency, with a high demand and low supply of US dollars in particular. This shortage, along with government

18 Little, 'Unofficial Transborder Trade'.

19 Interview with regional agent and manager of a microfinance and wallet owner business, Jigjiga, 14 November 2023.

20 Abdurehman Eid, 'Jostling for Trade: The Politics of Livestock Marketing on the Ethiopia-Somaliland Border', Working Paper 075, Brighton: Future Agricultures Consortium, February 2014; Asnake Kefale, 'Shoats and Smart Phones: Transborder Trading in the Ethio-Somaliland Corridor', DIIS Working Paper 2019:7, Copenhagen: Danish Institute for International Studies, 2019.

attempts to control foreign currency exchange rates, has led to the emergence of a black market for currency exchange.²¹ This includes diverting foreign currency through the informal *hawala* system, whereby ‘Ethiopians in the diaspora remit foreign currency to middlemen [*sic*; brokers], who pay beneficiaries in Ethiopia in local currency at the black market rate’.²² In 2022, the Ethiopian federal government closed commercial banks in Tog’wajaale town, situated on the border between the SRS and Somaliland, in a bid to curb the outflow of foreign hard currency.²³ Despite various efforts, Ethiopian authorities suspect informal US dollar inflow and outflow through Bole International Airport in Addis Ababa and towns such as Moyale and Tog’wajaale on the borders with Kenya and Somaliland, respectively.²⁴ Following the closure of the banks in Tog’wajaale, the use of mobile money for transborder transactions has become a popular alternative, facilitating trade and expediting the integration of mobile money into existing transborder business. An employee of a company that owns and manages digital innovations in Somalia/Somaliland and Ethiopia states:

Ethiopia made the decision to close financial banks on the Ethiopian side of the Tog’wajaale border, suspecting their role in facilitating transborder outflow of hard currency that the government believes have contributed to the devaluation of the Ethiopian birr. The transborder trade at Tog’wajaale holds significant importance for the economy of eastern Ethiopia. Consequently, government action to close the banks has compelled people to resort to MMT as an alternative transborder financial system.²⁵

Some Ethiopian analysts and authorities even believe that banks have facilitated the black market in border areas. This observer asserts: ‘Banks in Moyale and Togochole [Tog’wajaale] process foreign currency, disguising it as legitimately earned income from Ethiopian export businesses.’²⁶

In May 2022, the National Bank of Ethiopia halted Forex-related services by commercial banks in Moyale and Tog’wajaale (in Ethiopia). Then, later on in August, the Ethiopian National Intelligence and Security Service (NISS) announced the arrest of numerous Ethiopian and foreign nationals suspected of engaging in unauthorized financial transactions and illegal *hawala* operations.²⁷

21 Messay Asgedom Goben and Tadesse Simie Metekia, ‘IFFS and money laundering: Should Ethiopia Legalise Its Informal Currency Exchange Markets?’, ENACT Observer, 8 May 2023. Accessed 18 April 2024, <https://enactafrica.org/enact-observer/should-ethiopia-legalise-its-informal-currency-exchange-markets>.

22 Goben and Metekia, ‘Ethiopia’s Informal Currency Exchanges’.

23 ‘Ethiopia’s President Discusses the Currency Problem in the Somali Area’, *Somali Magazine*, 25 May 2022. Accessed 18 April 2024, <https://somalimagazine.so/ethiopias-president-discusses-the-currency-problem-in-the-somali-area/>.

24 Goben and Metekia, ‘IFFS and money laundering’.

25 Interview with digital innovations company employee, Addis Ababa, 18 November 23.

26 Goben and Metekia, ‘Ethiopia’s Informal Currency Exchanges’.

27 Goben and Metekia, ‘Ethiopia’s Informal Currency Exchanges’.

Prior to the closure of banks in Tog’wajaale, the Ethiopian government imposed daily bank withdrawal limits on customers, prompting people to resort to MMTs to bypass these restrictions. A staff member from a microfinance institution in Jigjiga comments on this situation:

If a small-scale trader intends to buy commodities on the Somaliland side of the Tog’wajaale border... Let’s say goods costing 40,000 Ethiopian birr [USD 700].²⁸ If the individual needs to purchase several items and the bank restricts withdrawals to no more than 50,000 birr [USD 875], then the solution is to conduct transborder money transfers as mobile money agents can transfer amounts of up to 1 million birr [USD 17,500].²⁹

During fieldwork, there was speculation that the Ethiopian government may have closed the banks to encourage the adoption of mobile money services in the border areas. Authorities believe MMTs to be more traceable as most of these transactions in Ethiopia utilize the network infrastructure of Ethio Telecom (formerly known as the Ethiopian Telecommunications Corporation), the government-owned company with a monopoly on the telecommunications sector.

MMTs differ from cash transactions in that they produce digital footprints, which can be exploited by states or other actors such as the platform owners that can access transaction data. Although mobile money is increasingly prevalent, the datafication practices of these actors—such as monitoring, accessing, processing and analysing data on various mobile money processes, activities and behaviours—remain poorly understood.³⁰ Hence the need for comprehensive research on this trend.

SOCIAL RELATIONS AND TRADE NETWORKS SUPPORT TRANSBORDER MMTS

Similar to commodity trading activities, transborder MMTs involve intricate social networks comprised of users, traders, currency exchangers and agents (*wakiilo*), including business and mobile money agents. Moreover, the successful adoption of mobile money in the Ethiopian borderlands such as Tog’wajaale has been influenced by the transborder flow of the technology itself from neighbouring countries. Commenting on the driving force behind the growing popularity of mobile money in the SRS in Ethiopia, a microfinance employee states:

28 Exchange rates are approximate. They are based on oanda exchange rates for 18 April 2024; see: <https://www.oanda.com/currency-converter/en/?from=ETB&to=USD&amount=1>.

29 Interview with a microfinance staff, Jigjiga, 16 November 2023.

30 Datafication is a technological trend that moves beyond digitalization to turn many aspects of daily life into data. It is about using digital technologies (big data, artificial intelligence [AI], machine learning [ML]) to take a process or activity that was previously invisible and turn it into data that can be utilized in a more powerful (positive or negative) way. In particular, it is a significant element of digital governance, with state-related effects.

The adoption of mobile money in Ethiopia varies, with the Somali region and its people being the most exposed to mobile money services. This is primarily attributed to their connections with fellow Somalis across the border, as they have prior experience with mobile money, having pioneered the use of mobile money applications.³¹

The technology behind MMTs does not solely drive transborder transactions and transfers. Rather, these often also rely on trust-based and adaptive social networks. That is, mobile money infrastructure that has not primarily been designed for transborder use becomes a conduit for such activities when it is mediated through social relations based on trust-based interpersonal and business links.

Social relationships are dynamic and facilitate the transborder flow of ideas. Addressing the question of why mobile money has found greater acceptance in the SRS and eastern Ethiopia compared to other parts of Ethiopia, an employee of a digital innovations company that owns a mobile money platform explains:

Mobile money has a long history of operation in Somalia/Somaliland, and people in eastern Ethiopia are aware of this. Hence, they find it easier to trust and adopt mobile money. In contrast, scepticism persists in other parts of Ethiopia, where there is a stronger allegiance to cash.³²

These trust-based transborder transactions and transfers also mitigate risks, including the potential for fraud or scams.

Trust-based relations become important for transborder mobile money, especially when such transactions and transfers are used to circumvent government restrictions and controls such as transactions that relate to the black market exchange rate. While most Ethiopian banks have introduced mobile money and mobile wallets to increase access to their financial services, not all of them are integrated into transborder MMT. Integration only occurs for those mobile money platforms that are trusted. Since Somalis straddle both sides of the border regions and speak the same language, it is easier for them to trust and quickly adopt financial services, including transborder, provided by fellow Somalis.

Somali communal relations are dynamic and adapt to new opportunities or threats, they play important roles in conflict resolution, peacebuilding, crisis management, business, migration, and transborder activities. The advent of technology has further strengthened business relations by facilitating collaboration across borders. Remarkably, even traditional transborder actors, often perceived as semi-literate, have demonstrated adaptability by embracing mobile money transfers (MMTs).

31 Interview with microfinance and mobile money wallet owner business employee, Jigjiga, 14 November 2023.

32 Interview with digital innovations company employee, Addis Ababa, 18 November 2023.

MMTs AND TRANSBORDER ECONOMIC ACTIVITIES

In the greater Somali economic space, transborder trade has traditionally revolved around livestock,³³ imported commodities and cereals trade, with these sectors intricately linked to and vital for the sustenance of borderland communities and beyond.³⁴ Historically, transport operators and *hawala* systems played pivotal roles in facilitating financial transactions for such trade, with both now embracing mobile money technology to facilitate transborder transactions. In addition to transport operators, various other transborder actors, including agents, traders and brokers, also currently rely extensively on mobile money to conduct their business with little friction.

Mobile money transactions and transfers (MMTs) have significantly reduced the dependence on physical cash for transborder economic activities, resulting in a decrease in cash confiscations. It is noteworthy that such increasingly cashless transborder trade is taking place at a time when Ethiopian federal authorities have imposed more stringent restrictions on the informal outflow and inflow of physical cash in the country. Commenting on how mobile money has been integrated into transborder trade, a mobile money agent in Ethiopia points out:

The *Shaarshaari* [women engaged in small-scale transborder trade] who are my customers, bring 100,000 birr [USD 1,750] to my agency every morning before travelling to Tog’wajaale. When they reach Tog’wajaale, they contact me and specify which agent or business, on the other side of the border, to transfer the money to. Business people on the Somaliland side of the border also readily accept electronic birr, just as they used to accept cash birr. I send the money to an individual mobile money account or a merchant number [business account] that the *Shaarshaari* shares with me.³⁵

On the Somaliland side of the Tog’wajaale border, businesses have Somaliland and Ethiopian mobile money accounts and accept US dollars, Somaliland shillings and Ethiopian birr in cash and electronic forms for payment. In Somaliland, including the Tog’wajaale border area, money

33 Eid, ‘Jostling for Trade’; Philemon O Ng’asike, ‘Analysis of Governance on Transborder Livestock Trade Between Kenya and Somalia’, PhD Thesis, University of Nairobi, Nairobi, 2021.

34 Ahmed M Musa, ‘From Trust to Oligopoly: Institutional Change in Livestock Trade in Somaliland after 1991’, DIIS Working Paper 2019: 8, Copenhagen: Danish Institute for International Studies, 2019. Accessed 18 April 2024, <https://www.diis.dk/en/research/stateless-economics-the-limits-of-informal-institutions>.

35 Interview with mobile money agent, Jigjiga, 15 November 2023.

exchangers operate their kiosks safely along the roads and have also embraced the introduction of mobile money technology. At the Tog’wajaale border, both retailers and wholesalers of goods accept Ethiopian birr from their customers coming from Ethiopia. Due to the fluctuation of the birr, however, they need to exchange it for US dollars. A money exchanger at the Tog’wajaale border describes how this currency exchange process works:

I exchange various currencies and also convert birr to US dollars. For instance, when traders from Ethiopia come to Tog’waajale, they make payments in birr to the market wholesalers and retailers. These businesses people then transfer the birr to me through mobile money, and I, in turn, send them US dollars via mobile money transactions using their Somaliland mobile money account or give them cash US dollars.³⁶

In addition to facilitating traditional informal transborder activities, MMTs also facilitate *hawala* remittance systems. *Hawala* companies have established partnerships with mobile money providers,³⁷ with some having built their own mobile wallets. These partnerships enable the direct remittance of money to customer mobile money accounts or mobile wallets. In Ethiopia, individuals who receive *hawala* transfers in US dollars from abroad often need to exchange them for Ethiopian birr. They face a choice between the lower official exchange rate and the higher unofficial rate, however. As *hawala* services have branches at the Tog’wajaale border, customers now request them to exchange their money at the higher unofficial rate on the Somaliland side of the border. Subsequently, these customers receive e-birr in their Ethiopian mobile money accounts. Not only do the *hawala* system and other formal financial institutions participate in the black market exchange rate, but non-financial sector businesses such as small shops and boutiques in Addis Ababa also play a role. This highlights the extensive nature of black market currency exchange. This has led some analysts to recommend that the government either validate or veto these informal currency exchanges.³⁸ The suggestion to either validate or veto can also apply to transborder mobile systems that facilitate black market currency exchange or informal currency inflows and outflows.

In the Kenya–Somalia corridor, mobile money and mobile wallet platforms enable a new form of transborder money transaction known as ‘*kala wareeg*’ [transfer]. A mobile money user in Nairobi explains the process:

I use the Somali EVG service through my wallet or via my Salaam Somali bank. When I’m in Nairobi, I can access my Somalia wallet for sending and receiving money. However, there are no cash withdrawal or deposit outlets available in Nairobi for these Somalia wallet services that I use. Instead, I rely on a convenient arrangement with local business people in Nairobi, known as ‘*kala wareeg*,’ to obtain cash. Here’s how it works:

36 Interview with money exchanger, Tog’wajaale, 17 November 2023.

37 Interview with manager of a money transfer agency, Nairobi, 7 December 2023.

38 Goben and Metekia, ‘Ethiopia’s Informal Currency Exchanges’.

I transfer money from my wallet to the wallet of a business person in Nairobi who also conducts business in Mogadishu. Once they receive the transfer in their wallet, they will provide me with the equivalent amount in cash in Nairobi.³⁹

Transborder MMTs are commonly facilitated by the accessibility of telecom networks on both sides of the border and the use of mobile money. There is, however, also a less common method in which transborder MMTs utilize roaming services and social relationships to conduct transactions. For instance, when a customer with a mobile money account in Somalia/Somaliland needs to withdraw money in Ethiopia, they can utilize roaming services to transfer money (USD) to a friend, a transborder trader or a currency exchange agent who also possesses a mobile money account from the same network provider. The recipient of the digital money can then provide the sender with e-birr using the black market exchange rate. Transborder traders engage in this practice to acquire US dollars in digital form, while currency exchange agents do so to profit from exchange rate differences.

39 Interview with mobile money user, Nairobi, 6 December 2023.

MMTs AND THE STATE: REGULATIONS, RESTRICTIONS AND IMPLICATIONS

The centrality of commodity circulation across the East African Somali-inhabited greater economic space to the societies and economies in this region, as well as to politics, highlights the interconnectedness between trade, including transborder trade, and the (un)making of states.⁴⁰ A case in point is how private telecom and financial conglomerates have established an infrastructure through which money and information circulate within and beyond the Somali territories.⁴¹ The state and the circulation of mobile money have mutual effects on each other as they interact through arenas such as regulation, taxation, revenue collection and security.

In Somalia, mobile money transactions and transfers (MMTs) are offered by a semi-regulated network of private mobile money network operators (MNOs) and banks with monopolistic capacities and influence.⁴² Consequently, MMTs largely operate beyond the purview of the central bank(s) and other regulatory bodies. Instead, they either self-regulate and govern themselves or use traditional governance systems.⁴³ In Kenya, recognizing that MMTs have introduced a new regulatory challenge by blurring the traditionally distinct and independent sectors of regulations relating to telecommunications and financial banking, the country has developed the most advanced regulatory framework in the region. This framework involves multiple regulators and government agencies that regulate both domestic and international MMTs.⁴⁴ In Ethiopia, regulators such as the central bank (the National Bank of Ethiopia) and the national intelligence agency regulate and supervise mobile money providers. Regulatory measures include daily transaction limits; in 2021, for example, the central bank limited electronic transfers to five per week.⁴⁵

40 Hagmann and Stepputat, *Trade Makes States*.

41 Gianluca Iazzolino and Nicole Stremlau, 'War, Peace and the Circulation of Mobile Money Across the Somali Territories', in *Trade Makes States*.

42 Iazzolino and Nicole Stremlau, 'War, Peace and the Circulation of Mobile Money'.

43 Nicole Stremlau and Ridwan Osman, 'Courts, Clans and Companies: Mobile Money and Dispute Resolution in Somaliland', *Stability: International Journal of Security and Development* 4/1 (2015).

44 Barnabas Andiva, 'Mobile Financial Services and Regulation in Kenya', Nairobi: Competition Authority of Kenya, 2015.

45 Michael Malakata, 'Ethiopia Imposes Restrictions on Electronic Money Transfers', *ITWeb Africa*, 13 January 2021. Accessed 18 April 2024, <https://itweb.africa/content/lwrKxv3K4rmvmg10>.

Commenting on the security challenges that may arise from mobile money,⁴⁶ an official from the Somali Regional State (SRS) security bureau notes:

The National Bank of Ethiopia and the National Intelligence and Security Service monitor money laundering and combat terrorism financing. Both institutions closely oversee the operations of financial institutions. As you may recall, in 2021 and 2022, numerous commercial bank accounts in Tog’wajaale, along the border, were suspended due to their involvement in various financial irregularities. Most of these accounts were owned by money exchangers, although there were others as well. On the other hand, microfinance companies that possess mobile money capacities operate under clear regulations and guidelines. However, there may be instances when they do not consistently adhere to these regulations. Wallets owned in Somaliland are also used in Ethiopia, which are not subjected Ethiopian financial regulations. However, non-state actors that pose security threats may not have access to use these wallets in Ethiopia because such non-state actors cannot freely enter and move around. Therefore, I do not think they can get access to these wallets.⁴⁷

Since 2018, when the US Department of State reported that both Ethiopia and Kenya are vulnerable to mobile money laundering, Ethiopia has increased its efforts to investigate and prosecute cases of suspicious or fraudulent MMTs.⁴⁸ This effort is particularly concentrated in the SRS, where significant MMTs take place and where the Ethiopian government has focused much of its counterterrorism efforts.⁴⁹

Those in Ethiopia and the Tog-wajaale border in Somaliland interviewed for this study are less forthcoming on the subject of transborder MMTs, sometimes even denying the existence of this service. One plausible explanation for such hesitancy could be the fact that transborder mobile money services facilitate economic activities such as informal trade (which is restricted by the government) or black market currency exchange. Ethiopian authorities view these as illicit informal trade activities that undermine the national economy by contributing to inflation and foreign currency shortages. Reflecting on this, one interviewee in Addis Ababa remarks:

In Ethiopia, the government has imposed strict limitations on accessing US dollars as part of their efforts to manage the devaluation of the Ethiopian birr. The fact that mobile

46 MMTs also raise another sort of (security) issue. Recall speculation that the 2022 bank closures in the border town of Tog’wajaale are perceived by some as the Ethiopian government actually pushing financial transactions toward mobile money platforms because they are easier to monitor in comparison to cash transactions. This observation reveals mobile money as a double-edged sword in terms of citizens and states. Whereas MMTs enable a range of new types of transaction over distances and multiple platforms, all of these transactions generate data that potentially can be accessed and leveraged by the state (or other actors with access to this infrastructure) for multiple (benign or malign) purposes.

47 Interview with SRS regional security bureau staff, Jigjiga, 19 November 2023.

48 Aaron Martin, ‘Mobile Money Platform Surveillance’, *Surveillance & Society* 17/1–2 (2019): 216–217.

49 Martin, ‘Mobile Money Platform Surveillance’.

money and wallets are used to circumvent these government restrictions renders their use for such purposes illegal.⁵⁰

Unlike mobile money platforms in Somalia and Somaliland that support both shillings and US dollar currencies, and facilitate currency exchange, in Ethiopia, mobile money platforms only support Ethiopian birr. Social ties and transborder mobile accounts, however, enable these platforms to be indirectly utilized for transborder transactions, including currency exchange.

MMTs facilitating transborder activities are entering areas of legal ambiguity in Ethiopia. This arises from transborder mobile money practices that become integrated into traditional informal transborder trade, facilitate international MMTs not permitted by the national bank of Ethiopia, or circumvent government controls on foreign currency exchange rates. It is important to note that since traders on the Somaliland side of the border mainly accept birr to transact with traders from Ethiopia, the concern of Ethiopian authorities about losing hard currency due to informal foreign hard currency outflow may require further evidence. Nonetheless, the reliance of Somaliland traders at the Tog’wajaale border market on the black market exchange rate for the Ethiopian birr may contribute to the legal ambiguity of these practices.

In the transborder economic activities within the greater Somali economy, government policies and restrictions often push traditional economic activities such as the livestock and commodity trade into informality and legal ambiguity. Transborder mobile money services face similar challenges, especially along the Somaliland–Ethiopia border. In fact, MMTs have become the only financial services available at the Ethiopia–Somaliland border to enable transborder economic activities since the Ethiopian federal government closed the banks in Tog’wajaale in 2022 and restricted cash movement in the border areas.

When considering whether transborder mobile money could potentially facilitate other transborder activities related to security, such as sending or receiving money from armed oppositional actors or money laundering, it is important to note that mobile money platforms primarily support restricted and small-scale transborder transactions, while mobile wallets rely on more regulated banking and microfinance infrastructure. In response to this, an interviewee in Jigjiga notes that ‘Microfinance operations in Ethiopia are subject to regulation by the National Bank of Ethiopia, which has a financial intelligence section mandated to monitor and supervises the financial institutions.’⁵¹ This is also confirmed by a manager of a microfinance company and wallet owner in the same city.⁵² In turn, the microfinance institutions oversee the regulation of their agents.⁵³ Likewise, ‘In Kenya mobile money providers have a responsibility for customer onboarding, including Know Your Customer (KYC) procedures and financial institutions do not

50 Interview with digital company employee, Addis Ababa, 18 November 2023.

51 Interview with the head of regional agents of a microfinance institution, 14 November 2023.

52 Interview with manager of a microfinance company and wallet owner, Jigjiga, 13 November 2023.

53 Interview with microfinance and mobile money wallet owner business employee, Jigjiga, 14 November 2023.

deal with customers who do not have identity documents.⁵⁴ It is important to note that mobile money providers and agents are less likely to disclose malpractices or irregularities willingly. Identifying such issues may necessitate long-term observations, a possibility not afforded by the limited time frame of this exploratory research.

54 Interview with manager of a money transfer agency, Nairobi, 7 December 2023.

CONCLUSION

The greater Somali economic space, which encompasses the Somali-inhabited territories in Somalia/Somaliland, Kenya, Ethiopia and Djibouti, has a long history of informal transborder trade predating *de jure* borders. Traditional transborder economic activities have predominantly involved livestock and commodities. Despite this long history, the understanding policymakers have about the drivers, operations and legalities of transborder economic activities remains limited. In the past decade, mobile money innovations have revolutionized economic activities in the greater Somali economy, with the exception of Djibouti.⁵⁵

In recent years, communities in the border areas and participants in transborder economic activities have rapidly adopted mobile money technology to make transactions and transfers that also facilitate transborder economic activities. Traditionally, transport operators and *hawala* systems have played crucial roles in facilitating financial transactions for transborder trade, with both now embracing mobile money technology to facilitate transborder transactions. In addition to transport operators, various other transborder actors, including agents, traders and brokers, also currently rely extensively on mobile money to conduct their business. In doing so, they have quickly integrated mobile money into the fabric of traditional transborder economic activities.

Findings from this exploratory study show that the dynamics of transborder mobile money transactions and transfers (MMTs) in the greater Somali economic space closely mirror those of traditional informal transborder economic activities in three key aspects. First, MMTs integrate with and support the existing informal transborder trade, both facilitating ongoing activities and potentially fostering new ones, thereby inheriting the drivers and challenges of the informal transborder sector. Second, they emerge in response to market distortions such as currency exchange disparities and regulations and policies that do not reflect the realities in border areas. Consequently, MMTs often circumvent these restrictive policies, leading to suspicion from authorities and the use of negative labels such as ‘illicit’, ‘informal’ and ‘illegal’. Third, the success and operation of MMTs are significantly reliant on social networks and trust-based institutions, which underpin and enhance the digital framework of transborder financial interactions. The suspicions and restrictions on the part of authorities towards these economic activities further necessitates reliance on social institutions by those engaged in them to mitigate potential risks.

55 Djibouti Telecom launched the D-Money mobile money service in 2020 but this has yet to gain traction in Djibouti. Further research is necessary to understand this contrasting regional example.

