

SUSTAINABLE FINANCIAL SERVICES IN SOMALIA



PROJECT: KAAH INTERNATIONAL MICROFINANCE SERVICES
SPONSORS: KAAH EXPRESS; UK AID; AFRICA ENTERPRISE
CHALLENGE FUND: SOMALIA STABILITY FUND; THE PHARO
FOUNDATION (UK); UNHCR

After two decades of civil war, Somalia has regained some peace and stability, however economic institutions are weak and the country remains vulnerable to political, economic and environmental shocks.

Somalia's GDP per capita of \$435 is significantly lower than the SSA average of \$1,570. In addition, 73 per cent of the population live in poverty, 80 percent live in rural areas, and 43 percent live on \$1 per day or less.

Somalis are considered a highly entrepreneurial people, but recent market studies show that less than 5 per cent of the country's market demand for micro and small enterprise finance is currently being met, representing over 2 million potential enterprises and hundreds of millions of dollars.

Kaah Express, a leading international money service business serving the global Somali diaspora with operations in 17 sending countries worldwide and more than 300 branches and agents in Somalia, has recognised that financial inclusion in Somalia represents both a business opportunity and enabler for economic development, peace and security.

To meet this huge unmet demand, Kaah Express established Kaah International

Money Services (KIMS) in 2014, creating the first dedicated, privately-owned microfinance institution in Somalia, providing commercially viable and responsible financial services to low income but economically active populations.

5,000

New jobs have been created through loans from KIMS.

KIMS has significantly improved financial access for vulnerable populations, particularly youth and women. KIMS only provides financing for economically productive activities, therefore having a direct impact on local economic development and sustainable job creation in line with SDG8.

As of June 2017, KIMS has reached more than 7,300 borrowers with loans totalling a cumulative \$6.3 million.

KIMS has developed an effective public-private partnership delivery model, including partnerships with international institutions to support refugee returnees, as well as to mitigate the impact of the current drought through enabling alternative livelihoods

for farmers and supporting youth who are at high risk of economic out-migration.

KIMS also has an active dialogue with key Somali government agencies in order to lobby for the introduction of an enabling regulatory environment.

KIMS seeks to adhere to international best practices in microfinance, enabling it to demonstrate readiness for further investment, which would enable it to grow to meet the unmet market demand. KIMS is currently working with several international institutions to use risk-mitigation instruments, such as guarantees, to bring international investors into Somalia.

OPPOSITE: Born in Kismayo, Kuran was forced by war to flee her home and resettle in Dadaab refugee camp in Kenya. After seven years Kuran was able to return home, but work was scarce. She received an \$800 loan from KIMS, and bought construction materials and goods to build and stock a shop, which now provides her with enough money to pay for her children's food and schooling. She makes regular repayments, and is now looking to qualify for a second, larger loan in order to expand her business.



Picture Credit: Kaah International