

# Mobile Money in Somalia Household Survey and Market Analysis

April 2017





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#### Penetration of mobile money

- 73% of the population above the age of 16 use mobile money services, broken down as 83% in urban areas, 72% in rural areas and 55% in rural areas. The differences across zones are more significant in rural areas.
- The penetration rate of mobile money in each zone is dominated by one mobile money service (Hormuud's EVC Plus in South Central, Golis' Sahal in Puntland and Telesom's Zaad in Somaliland).
- By comparison, overall penetration rates of banking services remain very low, at 15.5% for the entire population.

#### Practicalities and mobile money usage

- Of those who receive a monthly salary, payment or allowances, more than half receive their salaries or allowances directly on their mobile money account.
- 63% of mobile money users keep their funds on their phone rather than cashing out. Receiving salaries on a mobile money account prompts more active and varied usage of other mobile money services, including utility and merchant payments.
- For international transfers, Hawala is still used most commonly, though remittances companies are increasingly partnering with Mobile Network Operators to transfer international money directly to the mobile money accounts.

#### Perceptions around mobile money

- Overall, Somalis praise Mobile Network Operators for providing much needed services in the entire country. However, some do
  not trust them as the system remains unregulated. Mobile money is deemed fast and convenient by Somalis, with a 92%
  satisfaction rate.
- However Somalis think that mobile money can be prone to technical issues and mistakes. Users also deplore some problems with e-float management/cash out and the lack of interconnectivity between the different mobile money services.

#### **USD versus Shillings**

- USD is commonly used for all types of transactions, and in particular to pay for durable goods, to send/receive money from friends/family and to cash out money. Urban populations are more favorable towards USD.
- The perception that mobile money is responsible for the devaluation of the local currency and inflation is widespread. Almost 90% of Somalis would be interested in mobile money being available in SSH.

# 2.1 INTRODUCTION > CONTEXT

Mobile communications is one of the bright spots in the Somali economy. In a country where a very large part of the population is still unbanked, mobile money is a major development.

	<ul> <li>Somalia boasts a developed ICT sector and telecommunication infrastructure, with five main Mobile Network Operators (MNOs) operating across the country, several of which between the different zones and federal states<sup>1</sup>.</li> </ul>
Potential	<ul> <li>The increased availability and popularity of mobile phones in Somalia has also led to the development of mobile money services. The 2014 Global Financial Inclusion Survey report indeed reveals that Somalia is one of the most active mobile money markets<sup>2</sup>.</li> </ul>
	<ul> <li>Partnerships between Mobile Network Operators, banks, and remittance companies now enable mobile money account-to-bank account transfers and transfer of international remittances directly to the mobile money accounts.</li> </ul>
	<ul> <li>In Somalia, which lacks a strong formal banking system, shifting to digital payments can improve the efficiency of making payments by increasing the speed of a transaction and by lowering the cost of disbursing and receiving them. It can also enhance the security of payments and provide a safe way for Somalis to store money. Lastly, it provides an accessible and scalable means of extending financial services to those who are currently unbanked.</li> </ul>
Opportunities	<ul> <li>Leveraging the full potential of Somalia's mobile money industry could a) increase the number of customers and b) spur greater use of accounts. This would offer impetus for providers to expand upon the services they offer and for the wider financial services to capitalize through offering associated services. For instance, as the country receives an estimated remittance inflow of over \$1.3 billion each year<sup>3</sup>, there is space for the link between remittances and mobile money in Somalia to be further developed. In addition, the government and the private sector could play a pivotal role by shifting the payment of wages and government transfers from cash into mobile money accounts.</li> </ul>

(1) Hormuud (South Central), Golis (Puntland), Telesom (Somaliland), Somtel (South Central, Puntland and Somaliland), Nationlink (South Central, Puntland and Somaliland)

(2) World Bank Global Financial Inclusion Survey, 2014, http://bit.ly/2nF5a91

(3) Baseline Assessment of the Technical Assistance Fiche, Supporting the Central bank of Somalia's Regulation of Mobile Money to Strengthen and Safeguard Remittances, ACP EU Migration Action, 2015

# 2.2 INTRODUCTION > CONTEXT

Growth in Somalia's mobile money market faces stark, but surmountable, challenges. A multi-phased program of technical support for the ICT regulatory framework and enabling environment has been set up by the World Bank.

## Challenges and risks

Project

- The potential of mobile financial services in Somalia is stunted by several factors, including financial instability caused by a weak formal banking sector and the lack of regulation both in relation to mobile operators and mobile money services. Not least among the risks of an absence of regulation are the lack of customer protection, no buffer against discriminatory or other anti-competitive practices among providers, as well as money laundering and diversion of funds to terrorist organizations.
- This runs counter to the global market trend where it is increasingly recognized that with conductive regulatory frameworks, policy makers and mobile money service providers can play a major role in fostering financial inclusion<sup>1</sup>.
- Against this backdrop, the ICT Sector Support in Somalia project is working to advise on mobile money best practices and to support the development and implementation of an effective regulatory framework and enabling environment for mobile money. Funded by the UNDP-facilitated Somalia Multi-Partner Trust Fund, the project is a collaboration between the ICT Sector Unit of the World Bank Group, the Central Bank of Somalia (CBS), the Ministry of Posts and Telecommunications (MPT) and the Ministry of Finance (MoF) of the Federal Government of Somalia (FGS).
- Altai Consulting has been contracted to implement the research component of the project.
- A second, operational component will build on this research to pilot a mobile money bulk payment platform for government salary payments and cash transfers for emergency humanitarian response.







(1) Mobile Banking and Financial Inclusion – The Regulatory Lessons, Michael Klein and Colin Mayer, The World Bank Financial and Private Sector Development Public-Private Infrastructure Advisory Facility, 2011 The research was articulated around five research questions.



The data collection was organized around three modules.

Modules	Objectives	Approach and methodology
1 Quantitative demand- side research: household survey	Assess mobile money usage patterns (including demand, usage volume and preferences <i>vis a vis</i> formal and informal domestic payments and international remittance services, potential, etc.)	<ul> <li>Demand-side questionnaire designed and pilot- tested</li> <li>Enumerators trained and sampling design finalised</li> <li>Survey rolled out aiming to sample a minimum of 1,540 households (resulting in a total of 1,796 successful interviews)</li> </ul>
2 Qualitative demand- side research: Focus Group Discussions	Understand the reasons behind usage of mobile money (or lack of) and the drivers and barriers to adoption of mobile money across user categories	<ul> <li>12 Focus Group Discussions (FGDs) with various categories (across zones) to dive deeper into the target populations' needs and current behaviours</li> <li>At-risk populations and SMEs included for rounded insight</li> </ul>
3 Qualitative supply- side research: In- Depth Interviews and visits to agents	Understand the mobile money ecosystem in Somalia and Somaliland, analyse current remittance channels and understand the role played by agents	<ul> <li>15 In-Depth Interviews (IDIs) of sector experts, incl. government authorities and academics, Mobile Network Operators, remittance services providers, banks, etc.</li> <li>9 face-to-face interviews with mobile money agents</li> <li>18 mystery visits to agents</li> </ul>

## 2.5 INTRODUCTION > RESEARCH COMPONENTS

1,796 respondents have been successfully interviewed during the quantitative data collection, completed in December 2016.

#### Stratification

The sampling frame was divided between economic zones (South Central, Puntland, and Somaliland), then further broken down between urban areas, rural areas and IDP camps.

#### Sampling

The survey sampling frame was constructed based on the UNFPA PES Survey and the last round of the SHFS. Oversampling, in order to minimize the need to return to the field and redo invalid interviews, led to a total of 1,796 successful interviews.

The survey achieved a margin of error of 3% with a confidence level of 95%.

The design was a stratified four-stage cluster sample, with Probability Proportional to Size (PPS) of selection for the districts and EAs. Households within the EA were selected using a random walk method. Respondent within the household were selected through a randomization formula within the encoded questionnaire, among the adults above 16 present at the time of the interview. Oversampling was used to minimize the need to redo-interviews.

#### Questionnaire

A questionnaire translated in Somali, with 110+ questions, was used.

#### **Calculations & tools**

The database has been cleaned and post-weighted according to demographic data. The calculations were conducted on Stata.

# Respondents have been interviewed all over the country



73% of the population over the age of 16 use mobile money services.

90% of Somalis own at least one mobile phone and among these phone owners, a majority has a basic phone.



Sample sizes: 1,796 (entire sample); 1,617 (phone owners) Questions: Do you own one or more mobile phone(s)?, What type of mobile phone(s) do you own?

Sample sizes: 1,796 (entire sample); 1,581 (SIM owners)

Questions: Have you, personally, subscribed to a mobile money service on one of your own SIM(s)? Note: \* 0.2% responded "don't know".

## 3.2 PENETRATION RATES > MOBILE PHONE AND SIM OWNERSHIP

Over 88% of Somalis have at least one SIM card. Somalis have an average of 1.4 SIMs per person. Somaliland, Puntland and South Central are respectively dominated by Telesom, Golis and Hormuud.



Sample sizes: 1,796 (entire sample); 1,617 (phone owners); 1,581 (SIM owners)

Questions: Do you own one or more SIM card(s)?; How many SIM card(s) do you have?; Which are the operator(s) of your SIM card(s)?

#### 3.3 PENETRATION RATES > DEMOGRAPHIC DETAILS AND MARKET SATURATION

More than half of mobile money users subscribed over 3 years ago. Uptake is growing overall as the industry has faced significant year-on-year growth over the past few years. But year-on-year growth is decreasing, suggesting market saturation of existing ecosystem.

#### **Gender subscription timeline**

Focus on mobile money subscribers



#### How long subscribed > Penetration growth rate\* Entire sample





Urban users have embraced mobile money sooner than their **displaced** and **rural** counterparts

> 'People you meet will ask you 'Do you have Mobile Money?'. If you say no, they may ask you 'How can I send you money then?'. So, you see, this situation forces you to use mobile money, and this is the real reason why almost everybody in Somalia uses mobile money.' (Abdulahi, South Central)

# Type subscription timeline

Focus on mobile money subscribers



Sample sizes: 1,328 (mobile money subscribers)

Questions: How many years ago did you first subscribe to mobile money services?

## **3.4 PENETRATION RATES > DEMOGRAPHIC VARIATION**

Men, users aged between 16–35, literate, more educated and wealthier people tend to subscribe more to mobile money and use it more actively than other sub-groups. Almost all users are active users.

		Mobile money penetration Entire sample	Mobile money active usa Entire sample	ge <sup>3</sup>
Overall		73.0%	71.6%	The gender gan is
Gender	Male	75.4%	74.5%	5%. compared to
	Female	70.4%	68.7%	the 8% for
Age	16 - 25	75.1%	73.7%	banking services
	26 - 35	78.2%	77.4%	
	36 – 50	69.2%	67.1%	Usage of 50+ lags
	50+	57.2%	56.7%	behind those of
Litoroov	Literate	81.3%	80.6%	younger sup-groups
Literacy	Illiterate	54.8%	52.1%	
Education	Higher level <sup>1</sup>	82.7%	82.4%	More educated sub-
Education	Lower level <sup>2</sup>	64.3%	62.0%	groups subscribe more
Monthly income	≤ 100 USD	59.3%	57.9%	and use mobile money
	> 100 USD and $\leq$ 150 USD	59.8%	58.3%	_ more actively
	> 150 USD and $\leq$ 200 USD	65.7%	64.9%	
	> 200 USD and $\leq$ 250 USD	81.6%	81.2%	Wealthier sub-groups
	> 250 USD and $\leq$ 300 USD	85.8%	82.8%	subscribe more and
	>300 USD and $\leq$ 500 USD	88.9%	88.8%	use mobile money
	> 500 USD	96.9%	96.9%	_ more actively

#### Sample size: 1,796 (entire sample)

Questions: Have you, personally, subscribed to a mobile money service on one of your own SIM(s)?; When was the last time you used mobile money services?

(1) Higher level includes those who completed secondary education/high school or a Bachelors or a Masters or more and/or a technical education/vocational training.

(2) Lower level includes those who have no education or completed a primary education and/or a religious education.

(3) Active users are mobile money subscribers who have used mobile money services within the last 3 months.

The penetration rate of banking services for the entire population masks significant disparities between urban areas and rural areas. Only 5% of rural populations and 1% of IDPs have a bank account.

# Penetration rates by type

Entire sample



Country Comparison: Kenya stays ahead in terms of mobile money penetration, but not by much. The gap is far greater in terms of bank accounts penetration.



Sample size: 1,796 (entire sample)

Question: Do you currently have an account, by yourself or together with someone else, at a bank (either in a commercial bank or an Islamic bank)?

# 4.1 FINANCIAL PRACTICES > MOBILE MONEY RELIABILITY AND COMPARISON TO OTHER SYSTEMS IN USE

To what extent do people and firms rely on mobile money in Somalia and Somaliland? And what are the advantages and risks of the current system?

#### Service delivery compared to other mechanisms:

• Given the depreciation of the local currency and lack of other satisfying and accessible-to-all alternatives, people and firms rely heavily on mobile money for their daily money transfers. Mobile money has a crucial role and has become the first financial instrument in Somalia, while cash is less and less used.



A large portion of Somalis do not carry cash anymore. The Somali/Somaliland Shillings are weak and the hard currency is progressively disappearing.

Rationale

Use MM for domestic transfers

Mobile money services are booming and are used to purchase goods, pay bills, receive salaries, receive money from families, friends and relatives, etc. Mobile money seems to respond well to Somalis' needs.

Money transfer agencies, based on hawala, are still important actors in Somalia's financial sector. Hawalas and mobile money operators are partnering to capitalize on the best that each service has to offer.

Somalia is beginning to slowly rebuild its institutions, including its banking system. Yet the Somali financial sector remains underdeveloped and unsupervised, with a very low penetration of banking services.

# 4.2 FINANCIAL PRACTICES > USD vs Somali Shilling

USD is commonly used for all types of transactions, and particularly as payment for durable goods, to send/receive money from friends/family and to cash-out money. Somalis living in Puntland are the most likely to use US dollars and those in South Central are least likely.

## **Currency used (USD vs Somali Shillings)**

Sample varvina for each auestion

	Ove	rall	Som	aliland	Pur	ntland	South	Central
Withdraw money (bank/mobile money)	77.8%	18 <mark>.6%</mark>	81.9%	16 <mark>.4%</mark>	91.7%	8.1 <mark>%</mark>	72.0%	2 <mark>2.6%</mark>
Send/receive money from friends/family	78.5%	2 <mark>1.3%</mark>	72.9%	27.1%	89.8%	10.1 <mark>%</mark>	78.6%	2 <mark>1.2%</mark>
Receive payments/ salary/allowances	75.2%	2 <mark>4.1%</mark>	72.2%	<mark>27.3%</mark>	91.7%	6.8 <mark>%</mark>	70.5%	29.0%
Pay utility bills	64.8%	31.5%	61.0%	35.5%	85.2%	12. <mark>6%</mark>	61.1%	34.7%
Pay for durable goods	78.6%	2 <mark>1.2%</mark>	77.8%	2 <mark>2.2%</mark>	93.4%	5.9%	74.4%	2 <mark>5.5%</mark>
Pay everyday expenses	53.6%	45.5%	50.9%	48.5%	75.3%	2 <mark>3.7%</mark>	49.6%	49.3%

#### US Dollars Somali Shillings

In addition, urban populations use USD more prevalently across regions. The rural and IDPs also send and receive money most commonly in USD, but SSH remains their dominant mode for paying everyday expenses.

Sample sizes: Withdraw: 1,342 (those who own a bank and/or a MM account); Salary: 787 (those who received a salary over the past month); Everyday expenses: 1,796 entire sample); Durable: 897 (those who paid for durable goods); Bills: 1,562 (those who pay for utility bills+DK); Send/receive: 1,211 (those who send or receive money) Question: In which currency do you: pay the majority of your every day expenses/usually pay utility bills/durable goods/receive your payments, salary or allowances most often/witdraw money/usually send or receive money from friends, relatives, or family?

The differences between the % of USD and SSH correspond to the 'Don't know/Refuse to answer' answers.

36.5% have received international remittances over the last year. Remittances companies are increasingly partnering with Mobile Network Operators to transfer international money directly to the mobile money accounts.



## Sources of international remittances



% of international remittances recipients who receive money from that specific country

Sample size: 619 (those who receive money from abroad)

Questions : Which countries do you usually receive money from?

Other countries included: Turkey, Russia, Austria and Uganda.

0.9% responded 'Don't know' and 0.4% of respondents refused to answer.

# 4.5 FINANCIAL PRACTICES > VECTORS OF TRANSFER

Most mobile money transactions take place within a state. Benadir is the exception, with most mobile money originating from Benadir being sent to the other FMSs in South Central. Mobile money is regularly transferred across FMSs in South Central..

People from Benadir do not send much mobile money within Banadir. Instead they send money to South-West, Jubaland and HirShabelle

within Somaliland

#### **Money circulation among Federated Member States**

Focus on those who send mobile money domestically

					· · · · · · · · · · · · · · · · · · ·			
		Benadir	Galmudug	HirShabelle	Jubaland	Puntland	Somaliland	South-West
	Benadir	<u> </u>	6,9%	20,6%	31,4%	5,2%	2,8%	34.9%
	Galmudug	39,5%	88,0%	9,6%	1,1%	0,7%	0,0%	1,5%
Respondents	HirShabelle	30,8%	12,0%	83.9%	0,0%	<b>5,9</b> %	0,0%	2,8%
from	Jubaland	21,6%	0,0%	0,0%	71,9%	0,0%	0,0%	34,4%
	Puntland	14,8%	1,2%	3,2%	8,5%	83,3%	8,0%	1,2%
	Somaliland	0,0%	0,0%	0,0%	0,3%	3,7%	99,1%	0,0%
	South-West	2,8%	0,0%	0,0%	1,1%	0,0%	1,9%	88,5%
Galmudug, HirShabelle and Jubaland send money to Benadir					***************************************		Except for 3. to Puntland a send to Somaliland exclusively	7% who send and 0.3% who Jubaland, ders almost send money

Mobile money sent to

#### 5.1 USAGE PATTERNS OF MOBILE MONEY > KEEPING MOBILE MONEY IN THE ECOSYSTEM

63% of mobile money users do not immediately withdraw or transfer all funds from their account once a transfer is received, but rather transfer the money over time for different uses as and when needed. This grows the mobile money ecosystem, and encourages mobile money to support the economy in more and diverse ways.

# Focus on mobile money users hey users; bile 35.5% of Over time as and when needed Not relevant 7.3% Don't know/Refuse to answer 6.1%

# Only a quarter of the money received through mobile money is cashed out immediately

- This implies that the "money supply" is constantly expanding and therefore driving inflation.
- In addition this creates a large float of cash for the main operators, which given the lack of regulation, can be used for various uses (Ex. For other investments) with minimum repercussion.

#### Sample size: 1,328 (focus on mobile money subscribers)

Question: Once an important amount is transferred into your mobile money account (e.g. payment from an employer or clients), do you usually withdraw or transfer all of the money out of the account straight away, or do you withdraw or transfer the money over time as and when you need it?

#### Mobile money is used to

- Pay education fees for 70.2% of mobile money users;
- Disburse donations/charity for 56.4% of mobile money users;
- Receive vouchers from the government for 35.5% of mobile money users;
- Shop online (e-Purchases) for 28.3% of mobile money users;
- Receive cash transfers from NGOs for 18.0% of mobile money users;
- Pay government taxes for 16.7% of mobile money users.

# Withdrawing once an important amount is transferred into the account

#### 5.2 USAGE PATTERNS OF MOBILE MONEY > KEEPING MOBILE MONEY IN THE ECOSYSTEM

Sending and receibing money domestically, airtime transfer and merchant payments are the mobile money services with the highest frequencies of use. In terms of amounts transferred, receiving International P2P, receiving salaries, saving money and sending and receiving domestic P2P dominate. Somalis also cash-out more often than they cash-in.

Mobile money services	<b>Penetration</b> Focus on mobile money subscribers	Average number of transactions per month <sup>1</sup>	Average amount spent/sent/ received per month (USD) <sup>2</sup>
Take out	100.0%	4.0	81.6
Deposit	100.0%	2.6	75.7
Transfer airtime	82.8%	4.4	19.2 but for small amounts
Bill payment	72.6%	1.8	61.2
Receive domestically	55.9%	3.7	151.9
Send domestically	52.7%	4.9	124.0
Purchase airtime*	48.4%	2.0	27.0
Merchant payment	48.1%	3.9	87.6
Salary/allowances	45.0%	0.7	186.5 Low frequencies of
Reimburse loans	32.5%	0.5	51.4 for important
Save money	15.5%	0.3	amounts
Receive internationally	8.9%	0.1	210.1

Sample size: 1,328 (mobile money subscribers)

Questions: Do you use mobile money services to do...?; Over the past month, how many times did you use mobile money for...?; Over the past month, what was the total amount you spent/sent/received on ...?

(1) Mean average of number of times the specific service was used over last month for all mobile money users

(2) Mean average of the amount spent/sent/received over last month for mobile money users who have used the specific service at least once over the last month

\* Include airtime and Internet bundles.

SMEs and merchants also largely rely on mobile money to pay their utility bills, remunerate vendors and suppliers, store money, and repay borrowed funds.

#### Paying vendors/suppliers and utility bills

M2M (merchant-to-merchant) transfers allow merchants to buy directly from their suppliers. FGDs revealed that most SMEs and merchants use mobile money to pay their vendors and suppliers. Several explained that the method is easier, faster, and cheaper as no fees are charged domestically with mobile money. In addition, mobile money is traceable. 'Most of the suppliers like the mobile money system; it has a reference. They can print all transactions for tracking their expenses'. (Mustafe, Somaliland).

Some SMEs also use wire transfers to transfer money, but mostly for the suppliers who are abroad.

In addition, SMEs and merchants pay their utility bills through mobile money.

#### **Reimbursing loans**

Among the SMEs interviewed who borrowed money (e.g. through a microfinance loan from the Salaam Bank or Dahabshiil Bank), all reimburse directly through mobile money each month.

#### Bank accounts linked to mobile money accounts

Half of the SMEs and merchants interviewed for the FGDs own bank accounts in local banks. They opened an account primarily to store and save company money. Mobile Network Operators partnering with banks in large conglomerates, their business bank accounts can be easily associated with the merchant mobile money accounts of their businesses.

They can move money from their business bank accounts into their business mobile money accounts and vice versa. This improves their ability to access their funds when they need to, which reduces liquidity issues.

#### Storing/saving money

Most SMEs use the mobile money system to store money. Those who own business bank accounts regularly transfer money from their business mobile money accounts to their business bank accounts.

The remaining businesses interviewed use a locker or secure box to store money. One SME explained it invests in land or livestock to save money.

## 5.4 USAGE PATTERNS OF MOBILE MONEY > VOLUMES OF MOBILE MONEY

P2P transfers dominate the mix by volume and by value. At the same time, the large numbers of salary disbursements, utility payments, and merchant P2B payments reflect an expanding ecosystem of institutions and businesses entering the ecosystem.



# \$ 1.2 bn is circulating in Somalia's mobile money ecosystem every month



#### Sample size: 1,328 (mobile money subscribers)

Note: This method of estimating the circulating value (P2P and merchant payments) was compared with one that measures the circulating value by multiplying the same above value for incoming transactions by the percentage of those who do not immediately withdraw the mobile money from their account once they receive a transfer. This leaves a total circulating value of US\$1.04bn in the mobile money ecosystem. Whilst not exactly equal, this value is comparable in order of magnitude to the value generated by the alternative method value of US\$ 1.2bn.

A significant portion of Somalis perceive mobile money as unreliable and unsafe (with regards to the safety of the money). Hawala transfers tend to be seen as slower but safer than mobile money transfers.



The perception that mobile money is responsible for the devaluation of the local currency and inflation is widespread. Almost 90% of Somalis would be interested in mobile money being available in Shillings.

# A fact: mobile money has made the Somali economy even more dollarized.

'My salary is paid in dollars, and dollars dominate the national currency. Mobile money solved most of the needs by allowing people to buy goods easily and to meet their needs, so now the country seems even more dependent on Dollars.' (Mohamed, South Central)

# Interest in mobile money in Shillings

Entire sample



■ Yes ■ No

Sample sizes: 1,796 (entire sample) Questions: Would you be interested in having mobile money services available in Somali/Somaliland Shillings?

#### From the FGDs

Is mobile money responsible for the devaluation of the Shilling and inflation?

- 'The main disadvantage of mobile money is that mobile money substituted and devalued the Somali Shilling. Everybody uses mobile money widely and this has weakened the Somali Shilling for the last decade.' (Fartun, South Central).
- 'Government should fix the exchange rate because it's going up and down, and the exchange rate is now made by operators who do what they want' (Maryan, Puntland).
- And on the contrary...'Since the Somali Shilling remains in trouble, and often many businessmen/politicians make false Somali Shillings, mobile money in dollars makes it possible for the fluctuation exchange to remain in a middle mode.' (Dini, South Central)

Is there demand for mobile money services being offered in Shillings, exclusively or alongside Dollars?

#### YES

- 'Having mobile money services only in Somali Shillings would be good because it's easier to have only one currency and it's better for the economy. Using mobile money in Shillings would reduce the fluctuation of the exchange rate and fluctuation of the price of the items.' (Ifraah, Puntland)
- 'I'm not satisfied to use the mobile money in USD, I would prefer that the Telecommunication Companies start to use the Somali Shilling currency for mobile money. And that time the Shilling will be valued in the Somali market. The Somali Shilling needs to receive assistance.' (Dini, South Central)

#### NO

 'Until we get a reform from the government on the local currency, I believe we still need to use the Dollar for mobile money and cash.' (Hassan, South Central)

# 7.2 NEXT STEPS

The World Bank Group, the Multi-Partner Fund and the State and Peacebuilding Fund are providing support to the Central Bank of Somali, the Ministry of Finance and the Ministry of Posts Telecom and Technology

# **1. Mobile Money Policy Priorities**

- Establishing parity between online and offline credit for mobile payments
- Developing trusted "know your customer" systems
- Ensuring interconnection of mobile payments between operators
- Passage of Communications Act to license mobile network operators
- Enabling Somali Shilling based mobile money transactions (alongside US\$ based payments)

# 2. Mobile Money Operational Pilot

- Piloting a government-owned system for making bulk payments using mobile money, via established mobile operators
  - Implementing best-practice, secure and robust "Know your Customer"
  - Ensuring parity between offline and online credit
- Use case for paying teacher salaries
- Use case for making mobile payments to water truckers and food vendors in drought affected areas
  - Mirroring payments made by WFP under the SCOPE program with payments made using government systems
  - In the medium to long-term, piloting payments direct to household beneficiaries in drought affected areas

For more information, please contact:

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