

# Always Moving, Always Sharing

Mobile Money Practices in Somaliland

Prepared for the Bill & Melinda Gates Foundation | June 2015

STUDIO D

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# The Ask

Help build a foundational understanding of mobile money use in Somaliland, current practices, the nuances of adoption, and its likely impact on financial inclusion.

*In May 2015, Studio D ran an rapid immersive field study in Somaliland. This is what we learned.*

# Executive Summary

A lack of international investment has enabled Somaliland to nurture, from the ground up, a locally unique and broadly successful mobile-money ecosystem.

1. Widespread adoption of Zaad for **specific transactions**—mostly those costing between US\$2–100 (and occasionally for larger purchases). The ability to keep cash in Zaad is a critical feature akin to savings, however a nascent mistrust of the system as a whole prevents individuals from maintaining a significant (we estimate over US\$200) balance.
2. **Literacy is not currently a barrier to use** because semi-literate individuals can **rote learn** numerical commands to send money. Individuals that are semi-literate are also able to rely on proximate others (family, a neighbouring vendor, etc) to assist them with completion of transactions when necessary.
3. There are currently two mobile money platforms, **with Zaad continuing to dominate the market over e-Dahab**. Although e-Dahab entered the market only recently and is still growing slowly, it has shown the potential to develop into a more comprehensive banking ecosystem and extend the value proposition of mobile money as the market grows. For now, the universal acceptance of Zaad will continue to drive mobile money use.
4. The relative **accuracy and speed** of a transaction on Zaad using the new short code, described later in this report, is impressive. Built-in feedback and tracking mechanisms make the SMS interface simple to use, and allow easy tracking of spending and purchases.
5. While mobile money services are broadening the reach of rudimentary financial services, **they currently stop short of directly addressing traditional recipients of financial inclusion**. Barriers to direct use by this demographic include cellular coverage, cost of phone ownership and use, and until just recently, Zaad's exclusivity as a platform for USD (rather than the local Somaliland Shilling (SLSH)).
6. Nevertheless, **there is strong evidence of social impact, through secondary actors such as extended family and peers**. It is common to find family members and friends acting as cash-in/ cash-out agents, having memorised the Zaad number most convenient for their use.

# Executive Summary

Much of the success in this market has been due to the home-grown nature of Zaad and e-Dahab, born from a deep understanding of the Somaliland people.

Zaad's emergence is a case study against regulation and international aid. Introduced by Telesom, largely in a vacuum of international assistance, it still manages to adopt international best design practices while delivering a compelling service that makes good use of the available technological infrastructure.

Similar to the bespoke and experimental government in Somaliland, the appropriateness of the Zaad solution manifests a deep understanding of market needs. Spurred by lack of alternatives, the market has adapted to the service offering, to create new and nuanced behaviours around service use.

It is unclear how robust the local mobile money services, and indeed the broader ecosystem will be to shocks—a concern that a stakeholder from MicroDahab described is a behavioural shift from the successful repayment of capital to date to a higher default rate as a result of more cheaply available capital, from sources to which the borrowers owe less allegiance.

## Regulatory issues

Zaad and e-Dahab's commission-free business model can appear perplexing without an understanding of the broader market: Digitising airtime top-up has reduced significant overheads for Telesom, and the capital balances from money left in Zaad accounts support investment in infrastructure and other key areas of development. This overcomes some of the more traditional forms of capital that are available from international organisations, whose involvement in Somaliland has been limited by lack of state recognition, as being unrelated to the unrest in Somalia, lack of regulation and fear of money laundering.

Financial regulations become more complex the longer a service exists. In this regard, the broad lack of international recognition, and continued uncertainty in the region, provide Somaliland's operators with more leeway to evolve their mobile money services in response to more immediate market needs. The test, as always, will be in the response to shocks to the financial system.

## SUGGESTED READING

These three articles on Somaliland provide a comprehensive understanding of other aspects of the mobile-money landscape.

- Innovative Inclusion: How Telesom ZAAD Brought Mobile Money to Somaliland, GSMA, “Mobile Money for the Unbanked Report” by Claire Pénicaud and Fionán McGrath.
- Reaching half of the market: women and mobile money – The example of Telesom in Somaliland, GSMA, April 2015 by Elisa Minischetti & Claire Scharwatt.
- “*Following Mobile Money in Somaliland*”, Gianluca Iazzolino, DRAFT April 2015. Based on 67 in-depth interviews conducted in February 2014. Contact Author for copy.

For a glimpse of gender dynamics:

- “*Somaliland clan loyalty hampers women's political prospects*”. Mark Tran, The Guardian, 27th January, 2014.

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# SOMALILAND FINANCIAL TERMS GLOSSARY

Somali and Arabic terms used in this report.

bakyayl	stingy
bir	Ethiopian currency, accepted in border towns
boorse	a pouch for money
dadab-gal	a term to describe the act of taking one's "wife to be" home for a night prior to the marriage, but after the engagement
dahabshiil	gold-smelter
dawar sad miskiine	begger
faxal	someone you can turn to for a loan, a "walking wallet"
gar	a dispute resolution through discussion between two parties and their elders. The party in favour is said to have "found the gar."
gabaati	during engagement, money distributed to the wife's family—typically about 5,000,000 shillings, of which the wife's family gives back to the husband's family 1,500,000
hagbag	group savings and loan association
hargaysa	where you go to sell goatskin
hawala	transfer
kaafi	Salaam Bank's mobile banking option interlinked to Zaad
mag	accidental payment/compensation for death; can be cash or camels
lacag	cash
sadaqo	it is considered a good deed and common practice to help your family and relatives, for which god will reward you on Judgement day
shaxaad	small and quick request for money
tamaasul	compromise, sometimes mediated by elders
xaal	money paid after the result of wrongdoing
yarad	during engagement, money given to the mother of the man's family, typically US\$1,500. Used to cover wedding costs, and to cover the expenses of hosting guests
zaad	money savings used to travel, for a nomad

# 1

## Somaliland Born & Bred

A lack of international investment has both pushed and enabled Somaliland to nurture, from the ground up, a locally unique and broadly successful mobile-money ecosystem.



# An Experiment in Democracy

In Somaliland, the boundaries between economic actors, tribal dynamics and political influences often remain blurred.

Somaliland is a self-declared independent nation without international recognition. The Somaliland people are trapped between an internal trajectory of independence that is relatively stable held together by both a credible Western-inspired government and a highly respected tribal Council of the Elders, the *Guurti*.

However, the nation remains constrained by its international status as a northern territory of Somalia, thus being condemned to suffer from all sanctions inflicted to its unstable and conflict-ridden southern neighbour. The independence of Somaliland is a ground-up democratic-experiment and rapid-success story in the Arab-Muslim world and in Africa, with relatively little support from the international community.

However, given the current severe lack of infrastructure, the economy remains trapped in a almost complete dependance on exports, remittances and natural weather cycles.

Despite this uncommon and difficult situation, Somaliland has also been the base for incredible innovation in the telecommunication and banking sectors, where businesses have filled the gaps left by an unrecognised and challenged state, and have flourished in a deficit of regulation.

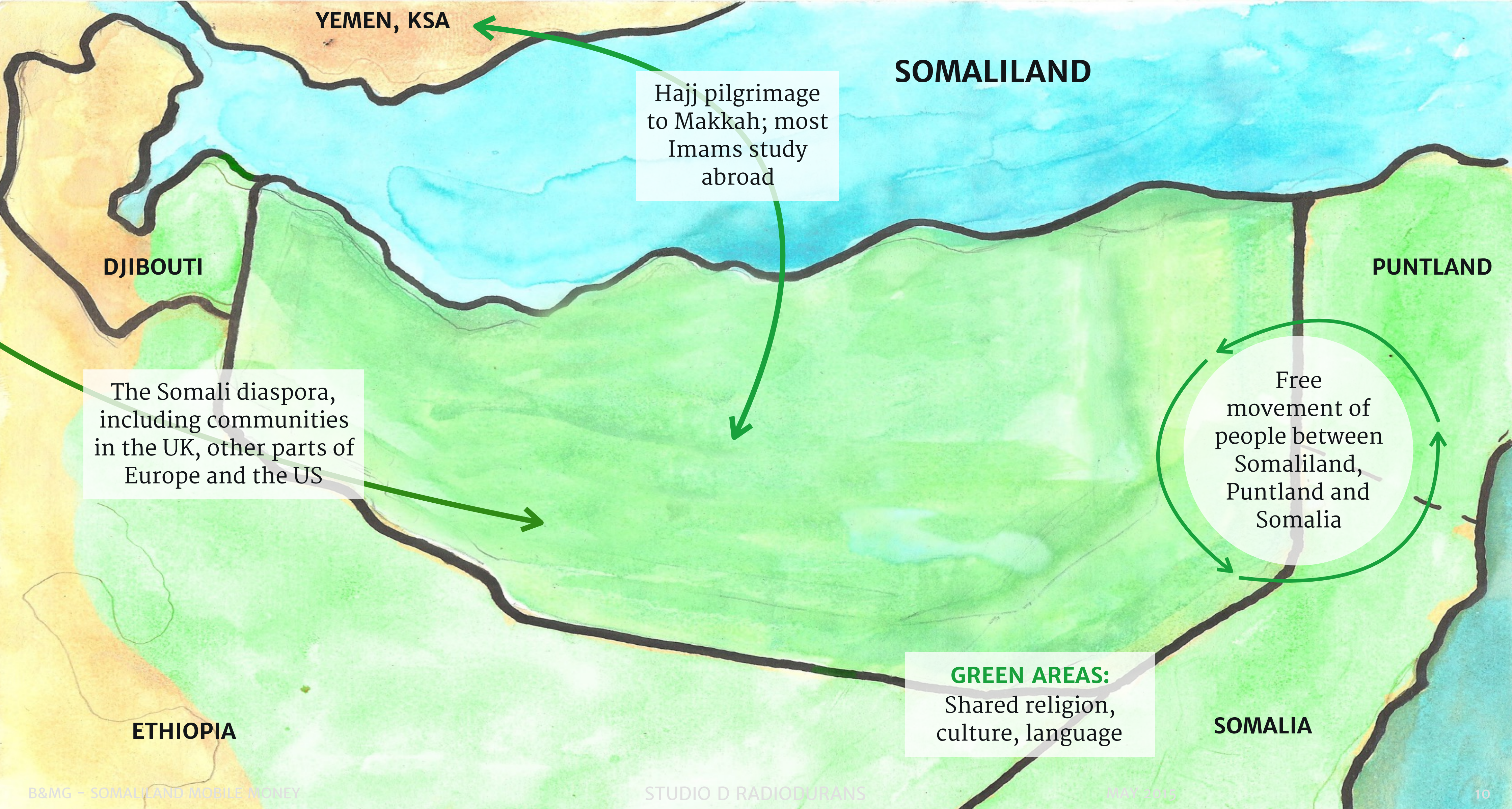
Today, as the fourth largest destination for remittances in the world\*, the broader Somali economy relies deeply on external financial support. Zaad has grown its successful mobile-money platform from an influx of foreign currency, within a pastoralist society with familial and tribal/clan-based interdependence and an oral culture.



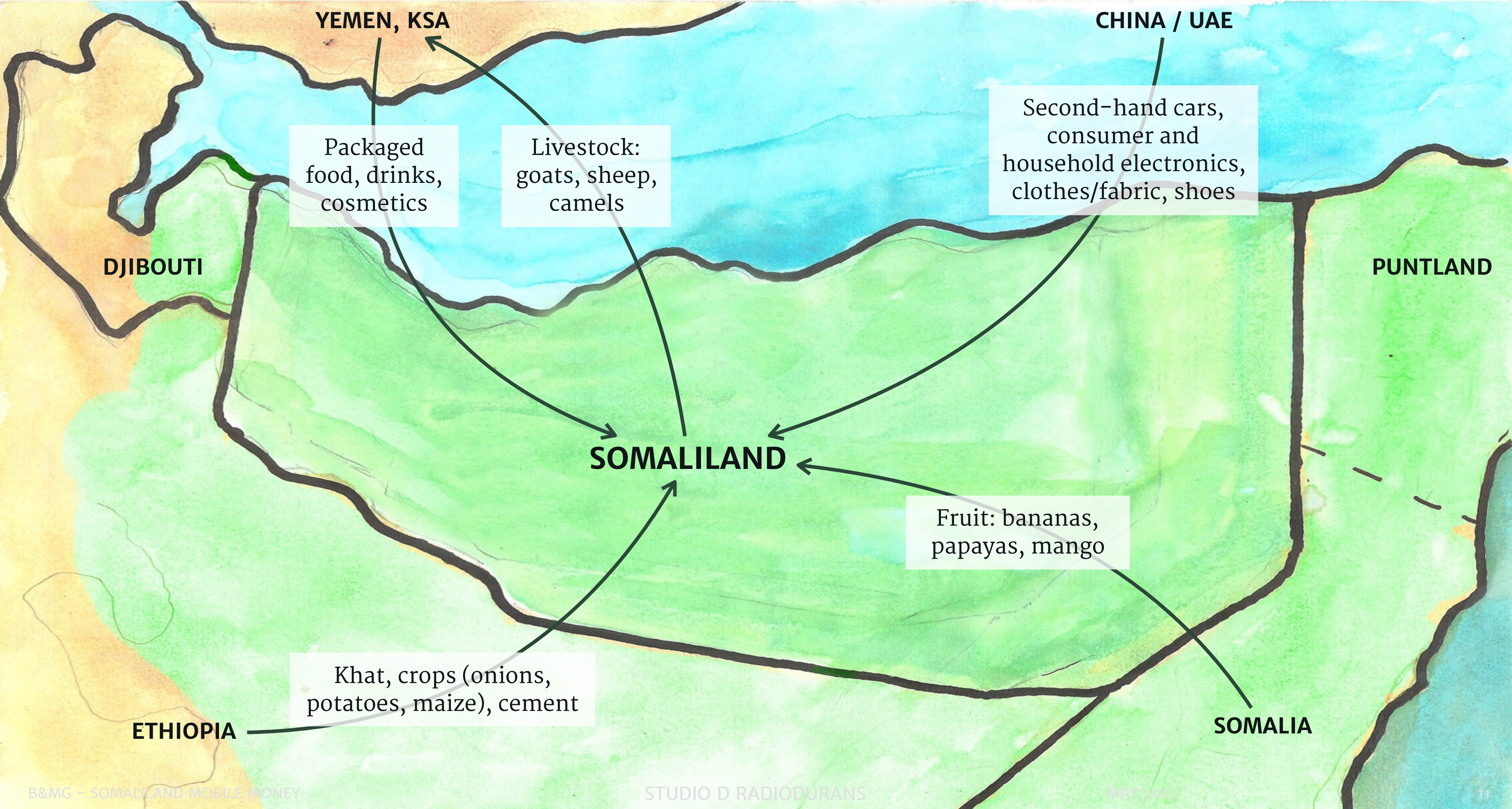
\*Mohamed Aden Hassan, Caitlin Chalmers, UK Somali Remittances, Survey [http://www.diaspora-centre.org/DOCS/UK\\_Somali\\_Remittan.pdf](http://www.diaspora-centre.org/DOCS/UK_Somali_Remittan.pdf)

# HALF AFRICA, HALF ARAB: CULTURAL FLOWS

A nation that is culturally and politically influenced by the Arab world more than by its own continent, through shared faith, culture and trade.



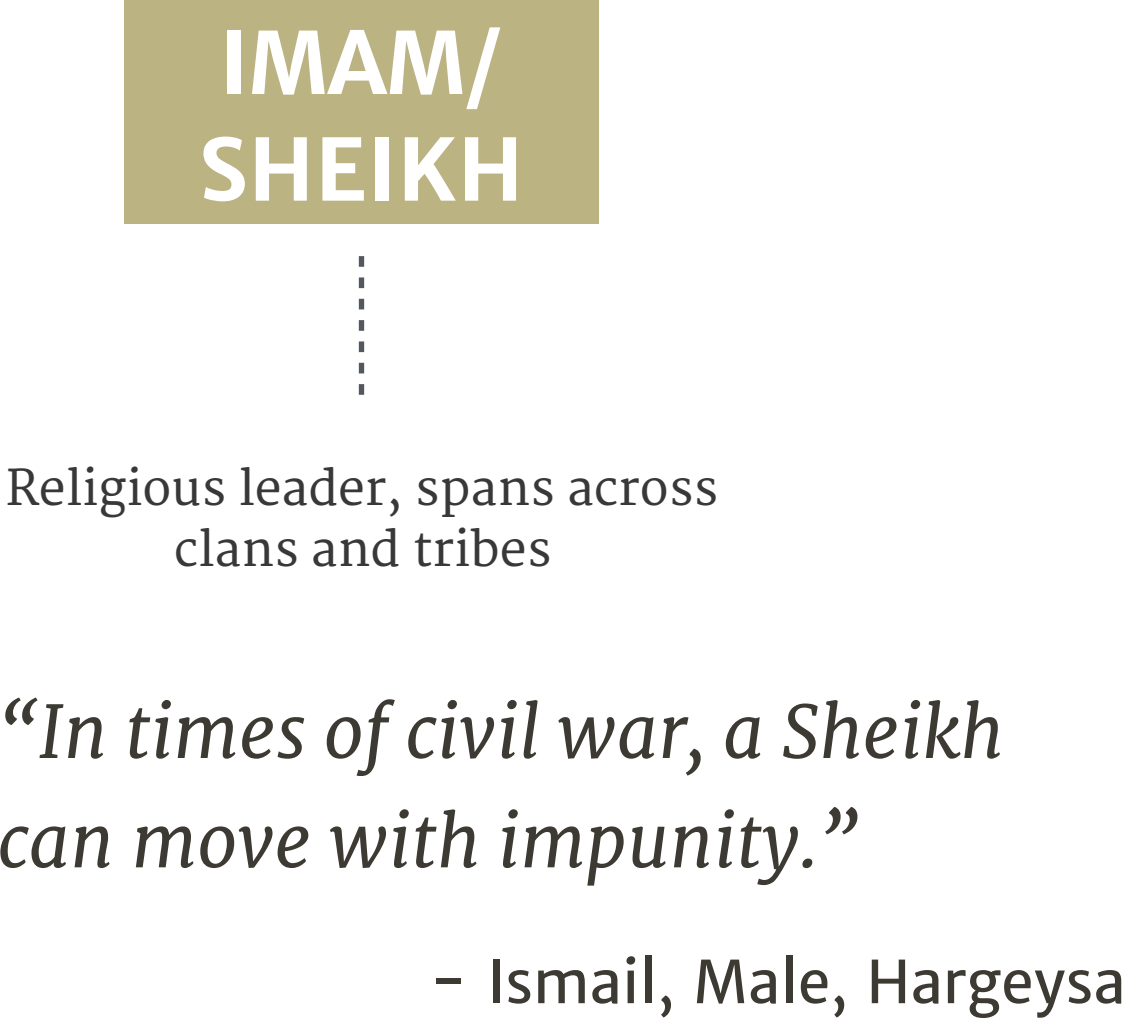
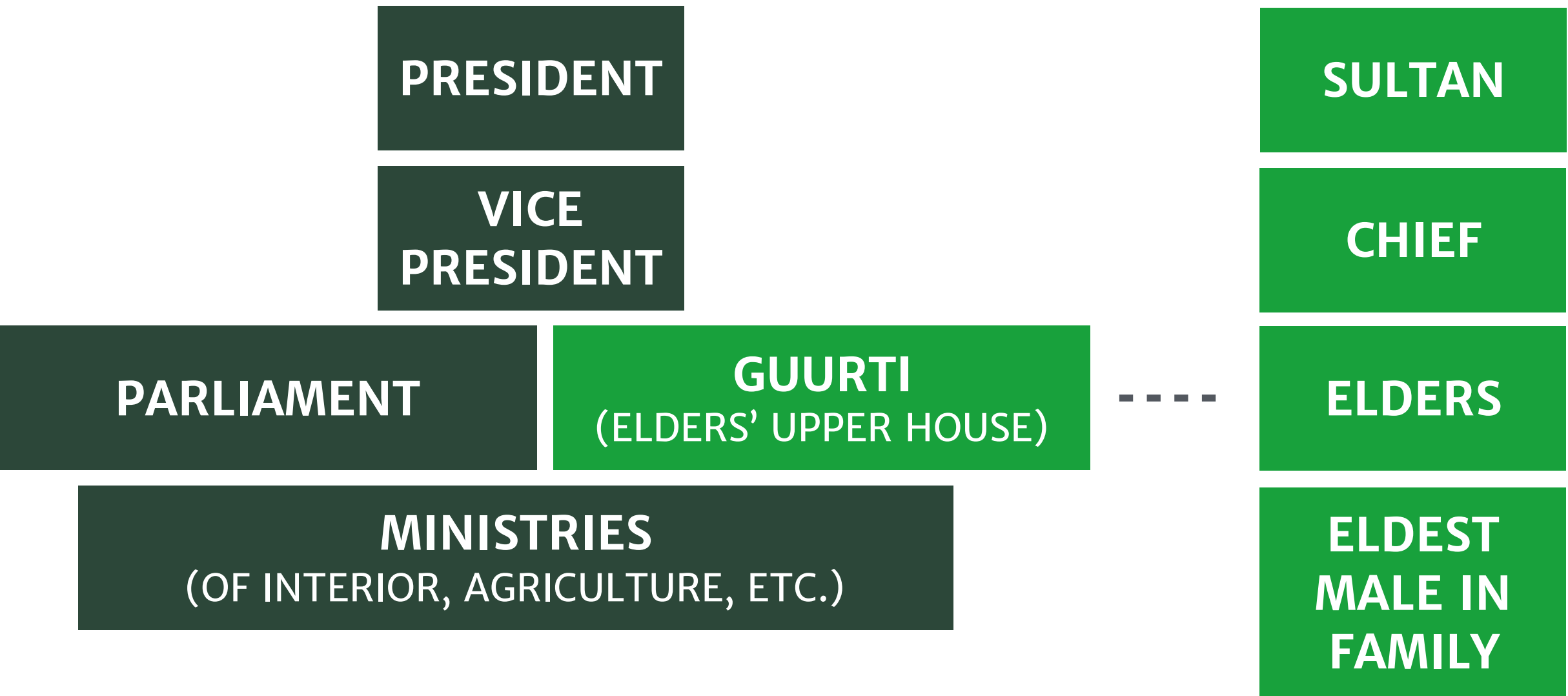
# TRADE FLOWS



# SOMALILAND POWER STRUCTURE: A BLENDED SYSTEM

Somalilanders take great pride in their government, with modern democratic and tribal systems coexisting. Control is distributed to traditional community leaders, while simultaneously a central ruling body is maintained.

Furthermore, the Muslim faith exerts influence across all strata of society.



# SOMALILAND POWER STRUCTURE: TRIBAL SYSTEM

**Clan Leader** .....

Highest position within the clan  
 Will help to arrange jobs within prestigious government positions (individuals must still go through application process)

**SULTAN**

**Leader of sub-clan (6-7 per clan)** .....

- Government-recognised and paid (registered in ministry of the interior)
- Mediates between clans and sub-clans, and within clans
- Elevate issues to Ministry of Interior

**CHIEF**

**ELDERS**

- ..... **Representative of sub-clan (7-30 per sub-clan)**
- Eligible to be in upper house, *guurti*, when somebody dies
  - Must be over 50 years old
  - Men only

Chieftdom is both inherited (through blood) and based on reputation. Elders can choose a more reputable candidate, for example, if the candidate for chief is of poor character.

There are two types:

1. Cultural Elder

Has cultural wisdom to advise on/resolve disputes. For example, if there is a problem between husband and wife, the woman will tell her family, who will inform their elder, who will discuss with the husband's elder, and then the two men will hear both sides of the story and recommend action to the husband.

2. Businessman

Entrepreneur or successful business owner  
 Provides financial oversight to necessary sub-clan endeavours/activities  
 Called upon to give loans to others in sub-clan  
 May loan money for *mag* while sub-clan collects from appropriate members



*“When we have problems, the elders solve them.”*

– Adam, Male, Clothing Shop Owner  
HARGEYSA

*“A woman dies between 2 clans.”*

– Fatima, Female, Entrepreneur  
BERBERA

Women often marry across clans and, as a result, are considered representative of neither their native clan nor their married clan. This makes for challenges in female identity, especially in politics.

# STRONG COMMERCIAL FORCES

Telesom dominates mobile money, Dahabshiil dominates banking.

## TELESOM, ZAAD MOBILE MONEY

Telesom was established in 2001, and has since become the leading provider of telecommunication services in the region. It Controls ~85%\* of the Somaliland mobile market. Called Gollis in Puntland (which offers the lowest international call rate available, according to *the Economist*), and Hormood in Somalia (which means “leader”).

Telesom launched Zaad mobile money services in 2009. Fast to market (telco), but slow to introduce more sophisticated banking products.

## DAAR SALAMA BANK

Telesom launched Daar Salama bank in 2010.

No interoperability between mobile providers and wallets.

As a result, when they can afford it, people are required to manage two or more SIM cards or phones.

## DAHABSHIIL, E-DAHAB MOBILE MONEY

International remittance and banking empire. Founded by a Somalilander Abdirashid Duale, it brings a strong sense of national pride, and a mature suite of commercial banking products, and plans to build out an ecosystem around e-Dahab.

e-Dahab, Dahabshiil’s mobile-money service, launched autumn 2014, is off to a slow start.

Smart in banking, slow to market.

## SOMTEL

In 2008 Dahabshiil acquired a majority stake in Somtel, a Somaliland-based telecommunication firm specialising in high-speed broadband, mobile internet and mobile-phone services, fixed-line and internet services. Somtel had previously bought out Telesom, which had coverage in Puntland, Somaliland and Somalia. Somtel’s brand is consistent across all three territories.

## GOVERNMENT/REGULATORS

Have little to no visibility into operations to make informed or meaningful decisions to impact telco or banking sectors.

\*Reference: Innovative Inclusion: How Telesom ZAAD Brought Mobile Money to Somaliland, Pénicaud & McGrath



*“I keep two phones, each with a Somtel & Telesom SIM. One is for family that I keep switched on. One I ignore after 6pm.”*

*– Omar, Male, Newlywed  
BORAMA*



# TWO DOMINANT PLAYERS, AND THE REST

There are two dominant local, Somalia and Somaliland telecommunication families and a third player (not involved in mobile money), with zero interoperability between them.

## TELESOM

Zaad's provider, allows simple airtime top-ups and easy mobile payments. Compatible with local remittances Amal Express and Kaah; but also with WorldRemit, a UK-based remittance service.

Telesom is a sister company of Hormuud and Golis, based in the rest of Somalia. Telesom's main shareholder is from the Hawyie clan in south Somalia.

Kaafi is a Salaam Bank's mobile banking option interlinked to the Zaad. This service is available to Telesom subscribers who have Zaad<sup>1</sup>.

### Telesom users

Telesom has, unanimously, the best coverage. A Telesom SIM is required to use Zaad. By offering interconnectivity with the rest of Somalia, Telesom attracts users with family and business across Somalia.

### Downsides

Relationship with Daar Salaama bank less well known (compared to Somtel/Dahabshiil)

Expensive domestic call rates (compared to Somtel)

Advertises, but doesn't yet offer 4G

[1] Salaam Bank Kaafi service  
<http://www.darasalaambank.com/index.php/services/kaafi-services>

## SOMTEL

Somtel belongs to the Dahabshiil Group, a powerful Somali banking and remittance financial institution active internationally, started by a local entrepreneur in the 1970s and now based in Dubai.

Somtel is part of the local Dahabshiil banking ecosystem, centered around remittance, banking, and recently mobile money through the recent e-Dahab service launch to compete with Telesom's Zaad.

### Somtel users

Most smartphone and heavy data users rely on Somtel's 4G network. Its cheaper call rates often make it attractive for teenagers and lovers. Loyalty from Dahabshiil's employees and relatives.

### Downsides

Coverage is not as efficient as Telesom in parts of the territory. Most Somtel users either rely on dual-SIM phones or have two phones

## NATIONLINK (FORMERLY STC)

In Somaliland, STC is mainly recognised for offering cheaper international post-paid rates (monthly).

### STC users

Enjoy cheaper international call rates, ideal for customers with family and relatives abroad—a common reality in Somalia.

### Downsides

Weak customer base

No data plans

Limited branches & agents

# Why is mobile money so widely adopted in Somaliland?

## Somaliland

### RIPE MARKET

Limited/no prior electronic fund transfer

Cumbersome dual currency

Significant demand for movement of money within family and across geography

### “WILD WEST”

Limited regulation from central governing bodies allows un-hampered growth from within. Tight relationships between prominent telco and banking entities enable easy deployment without the need for significant infrastructure investment.

Remittance economy = lack of regard for slight fees, lack of fear of taxation/tracking of funds.

### SOLID USER EXPERIENCE

Strong, thoughtful roll out by Telesom/Zaad to create awareness around the benefits of mobile money

Starting with bulk payers and aspirational vendors (e.g., Ambassador Hotel)

Consistently implement user interface improvements over time

Rote learning possible for illiterate/low-literate

No fees

Extensive agent network (using existing Telesom outposts)



# As a comparison...

## Somaliland

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No fees  
Extensive agent network (using existing Telesom outposts)

## Myanmar

### **RIPE MARKET**

Limited/no electronic funds management  
Lack of access to banking in rural communities (~70% of population)

### **HIGHLY REGULATED**

Strong ministries and central bank regulations, conflict between telco and banking sectors prohibit growth from within; unstable political standing limits international interest.

### **POOR USER EXPERIENCE**

The products that have been launched have been cumbersome to use, exemplifying some of the worst Studio D have seen in terms of USSD interfaces. Cash in/out networks and agents are variably available in large urban locations only.

## United States

### **SATURATED MARKET**

Sophisticated cashless systems have persisted for decades, making it difficult for a new players to enter the market. Incremental benefits for consumers. Square Cash and other similar P2P (fee-free) money-transfer apps are very slowly gaining traction.

### **HIGHLY REGULATED**

Decades of financial and telecommunications regulation govern practices.

### **GOOD USER EXPERIENCE**

Best-in-class user interface design (ISIS, Apple Pay to name modern examples) have not overcome consumer complacency around mobile payments.



*About 5,000,000 SLSH, or 742 USD, the payment for our camel.*

HARGEYSA



*“You cannot travel if you don’t have enough zaad.”*

In Somali, zaad means “savings used to travel, for a nomad.”

- A- Mohamed, Male, Surveyor  
HARGEYSA

## IN SUMMARY:

Somaliland provides a unique landscape, politically and economically, for new business.

### **DISTRIBUTED, EXPERIMENTAL GOVERNMENT**

The combination of a democracy and tribal structures allows for solutions to be formed and carried out on a hyper-local level.

### **STRONG LOCAL PLAYERS + LOW BARRIER TO ENTRY**

An increasing international knowledge base from which to draw and little regulation with few barriers from local government has meant that getting going with a technology solution has been relatively easy. Telesom and Dahabshiil have both been able to leverage their own infrastructure, built over the past three decades, as well as rapidly build and deploy new infrastructure. Through Dahabshiil's acquisition of Somtel and Telesom's establishment of Daar Salaam bank, each party now has the capability in-house to offer both sophisticated banking and telco products.

### **GEOGRAPHIC RELATIONSHIP WITH NEIGHBOURS**

As much an Arab nation as an African one, influence from the Middle East comes in all forms, from fashion and language to behaviours around technology. The channels between Dubai and Somaliland (many between individual vendors and their partners who are diaspora) bring exposure to and expectation of new tech. On the other hand, historic, complicated relationships with Somalia, Puntland and Ethiopia exist. The presence of ethnic Somalis across these places (meaning individuals have relatives across them) necessitates seamless money and communication flowing across them.

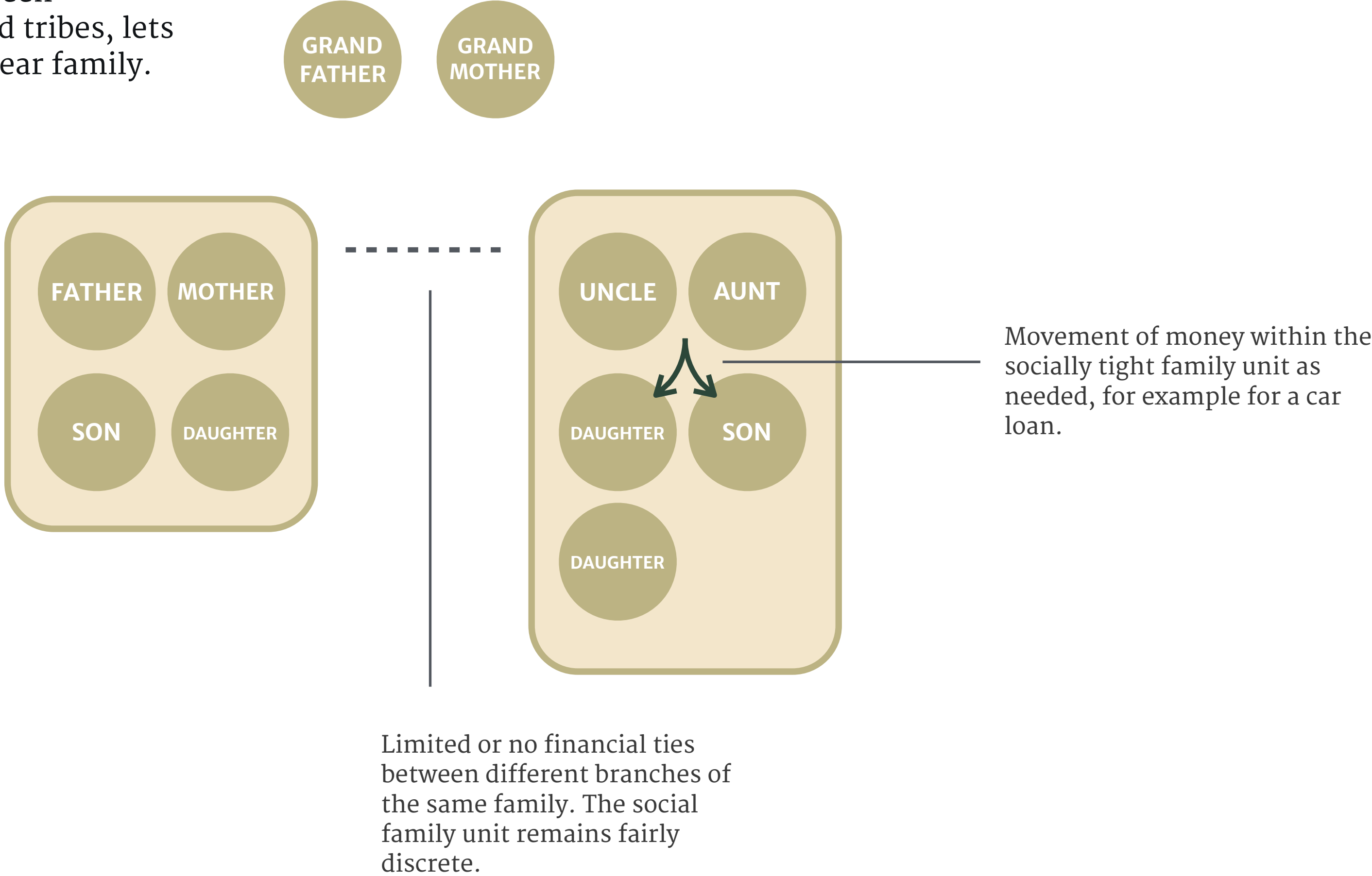
# 2

## A Strong Culture of Sharing

Compared to global norms, in Somaliland there are relatively few social barriers to sharing money and other resources between family members, sub-clans, clans and tribes. Money moves freely from those who have to those who need.

# FOR CONTEXT: A TYPICAL “WESTERN” FAMILY

To understand the flow of money between different families, sub-clans, clans and tribes, lets first consider a typical “western” nuclear family.

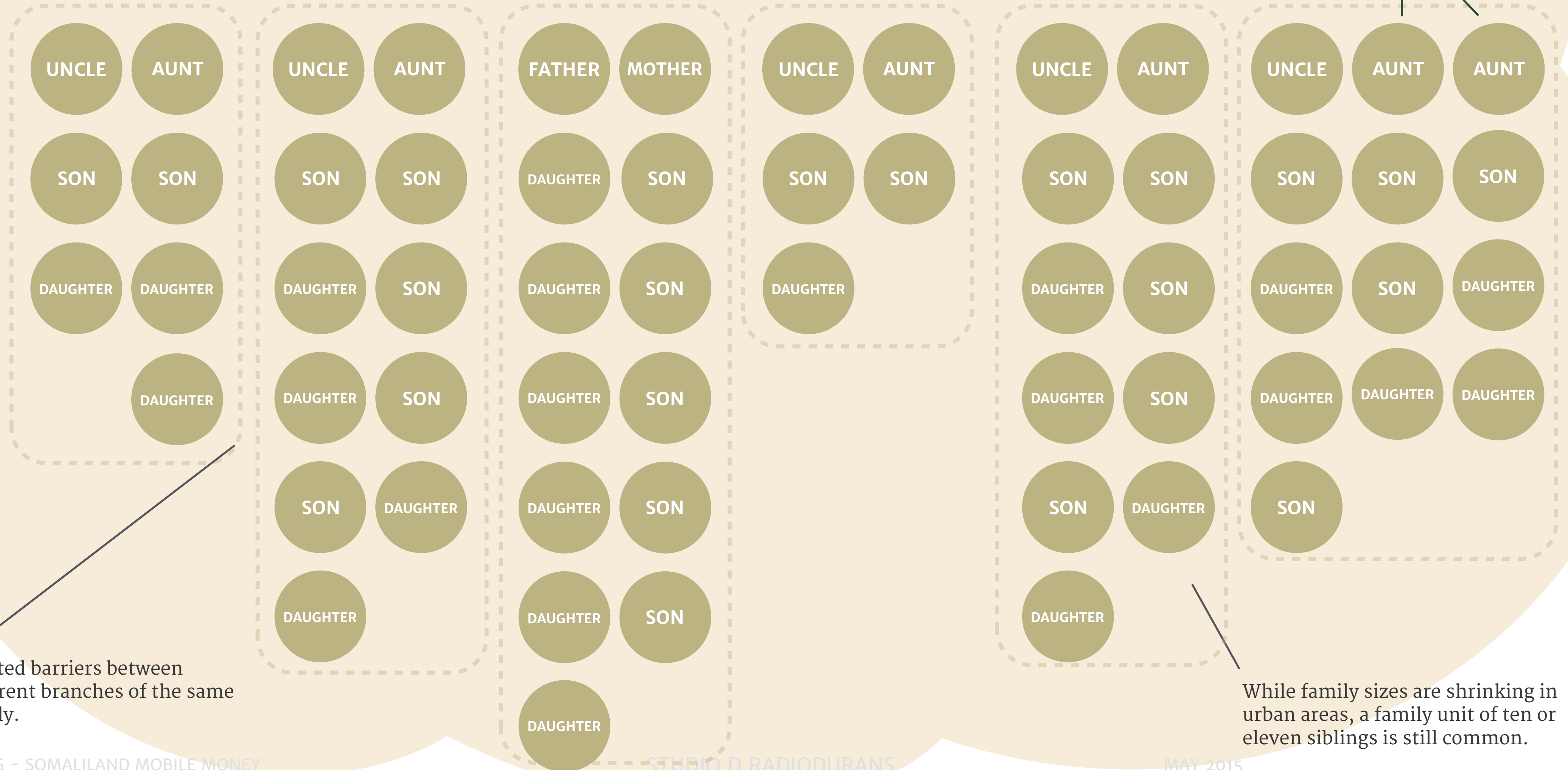


# A TYPICAL SOMALILAND FAMILY

GRAND FATHER

GRAND MOTHER

Polygamy is practiced under the Muslim faith (no statistics on how widespread, but assume this is illustrative, rather than representative). Household income shared based on number of siblings from each wife and current needs. Wives' families may live nearby or be geographically dispersed.



Limited barriers between different branches of the same family.

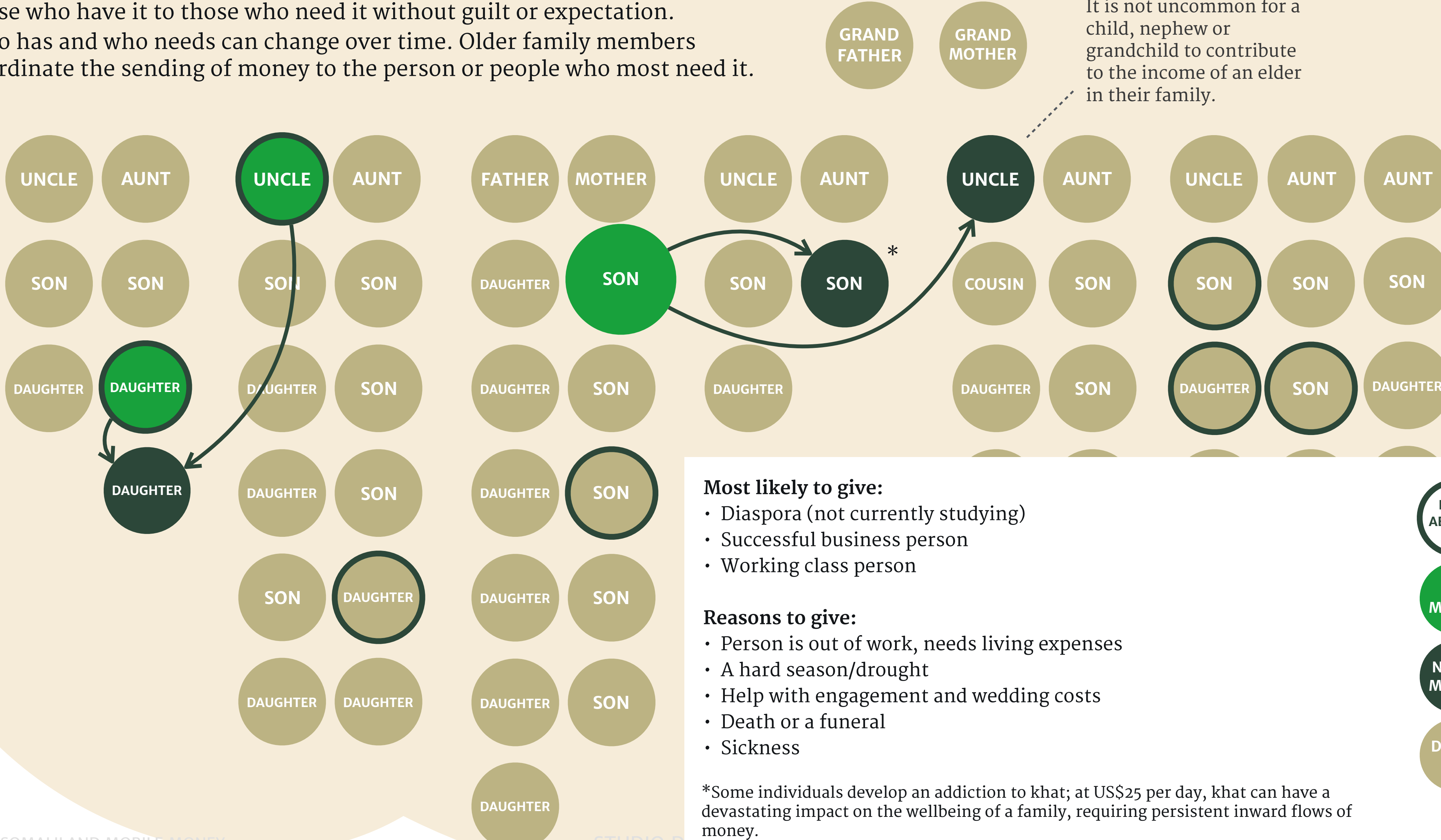
While family sizes are shrinking in urban areas, a family unit of ten or eleven siblings is still common.



# FRICITIONLESS FINANCIAL INTERDEPENDENCE

Within a clan, sub-clan and especially within a family, money moves from those who have it to those who need it without guilt or expectation. Who has and who needs can change over time. Older family members coordinate the sending of money to the person or people who most need it.

It is not uncommon for a child, nephew or grandchild to contribute to the income of an elder in their family.



**Most likely to give:**

- Diaspora (not currently studying)
- Successful business person
- Working class person

**Reasons to give:**

- Person is out of work, needs living expenses
- A hard season/drought
- Help with engagement and wedding costs
- Death or a funeral
- Sickness

\*Some individuals develop an addiction to khat; at US\$25 per day, khat can have a devastating impact on the wellbeing of a family, requiring persistent inward flows of money.

# The cloud of family capital

The fluidity of money within a family, enabled by Zaad, is unprecedented.

While internationally, money is still sent through hawala (namely Dahabshiil, though we also heard examples of people using World Remit and other services), within Somaliland and greater Somalia, mobile money is changing how money moves within a family. As many families are distributed across the region, the interoperability between Zaad and Telesom's local affiliates in Somalia and Puntland makes it the go-to service for sending money to loved ones.

Of note: we experienced first hand (and more than once) Zaad being used as a tool to send money back and forth between team members, to pay for a lunch, or when someone needed a bit of cash.

*“I used to send money to relatives via the big buses.  
Now I use Zaad.”*

– Deqa, Female, Grocery Shop Owner  
BERBERA



*The widespread use of khat can create strong economic dependencies within a family. A bushel (which lasts a day) costs around US\$25.*

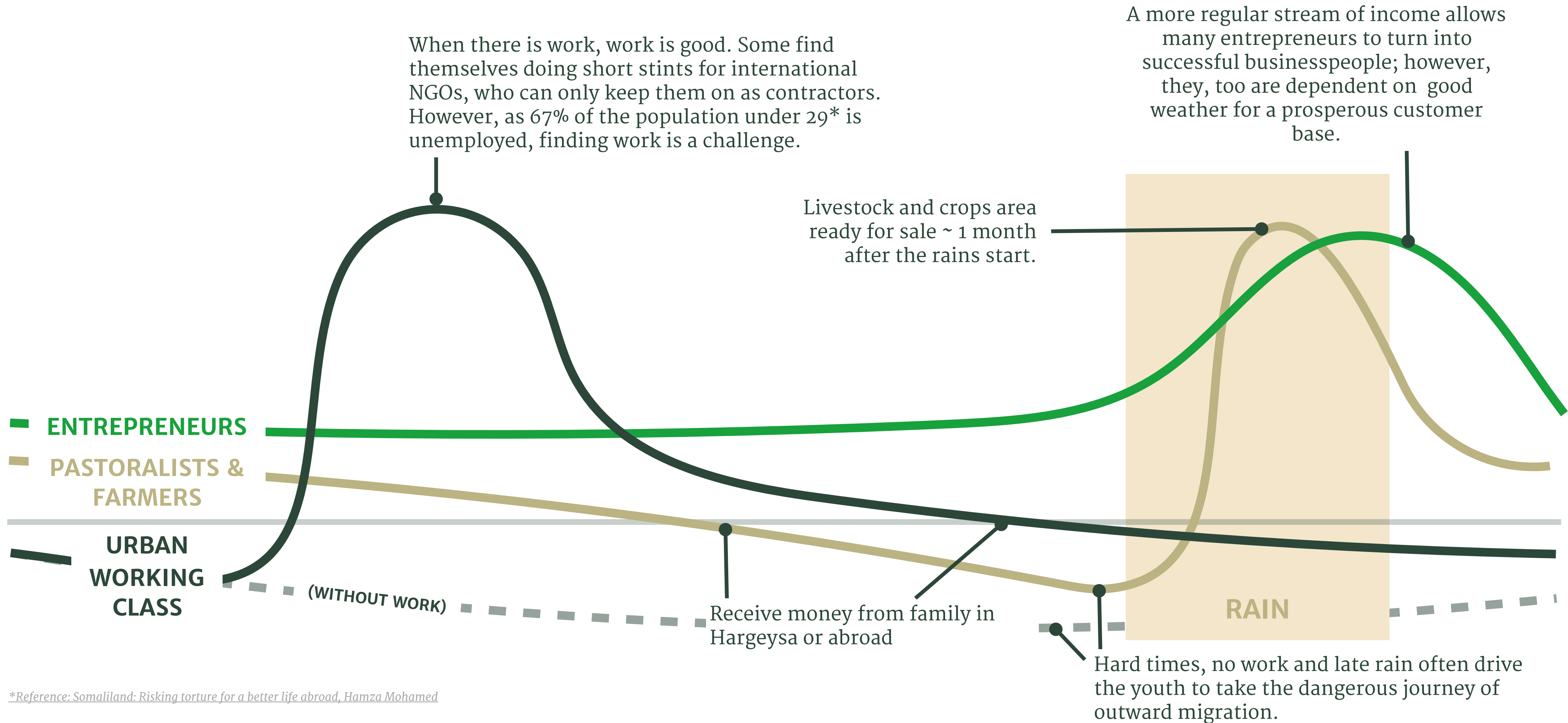


*“My brothers in the UK used to send me money when my kids were in school. Now they send money to my uncle who is sick.”*

- Hido, Female, Grocery Seller  
BERBERA

# FLUCTUATING INCOME

Fluctuations in income are common, especially when the rains are late. Successful family members support other relatives/clansmen in these times of need.



\*Reference: Somaliland: Risking torture for a better life abroad, Hamza Mohamed

# MARRIAGE - EXAMPLE OF MONEY FLOWS

## 1. ELDERS FROM EACH SIDE MEET

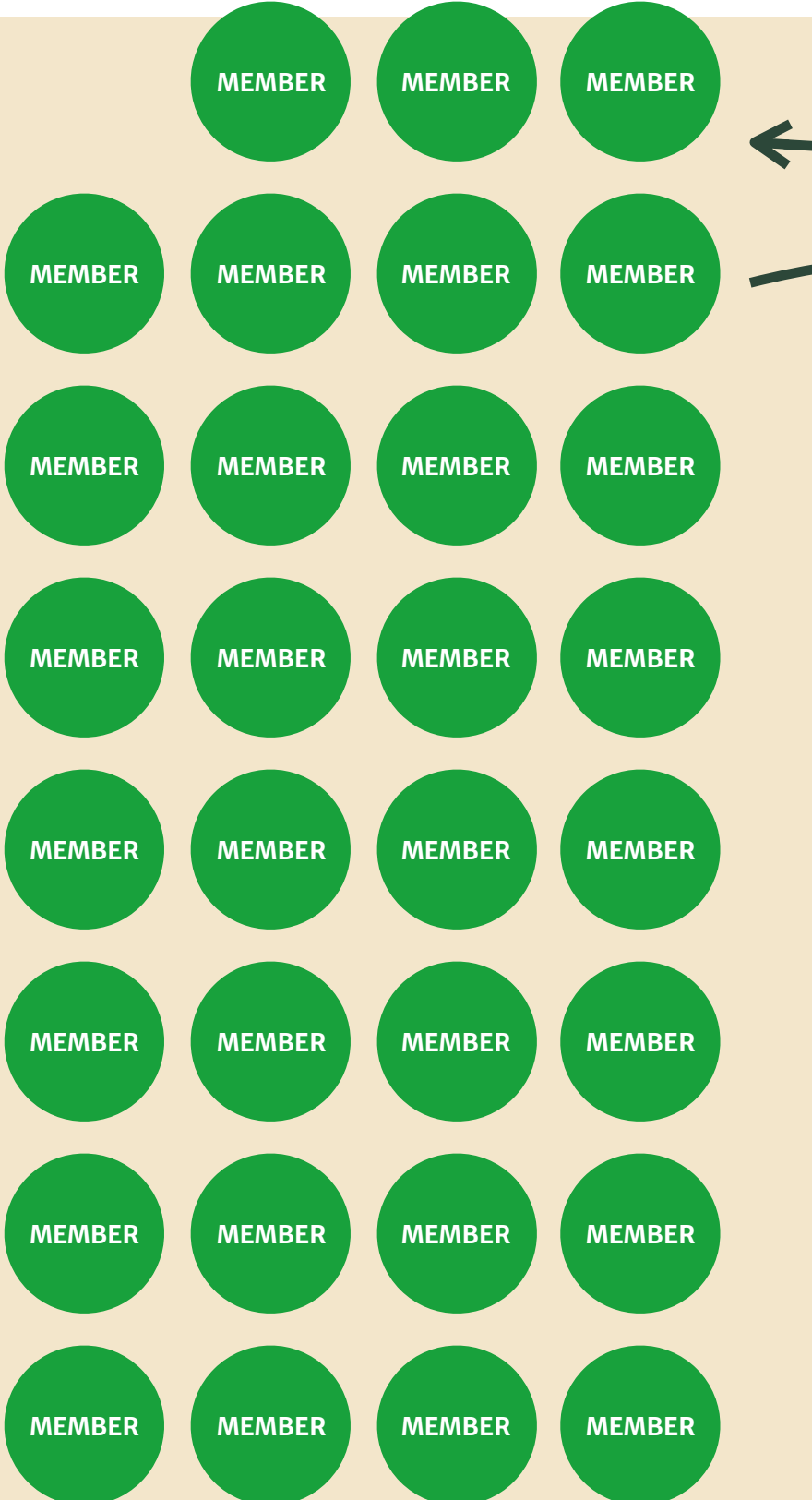
In the banquet room of a nice hotel or other communal space, male elders from the future husband's and wife's families and clans meet with their Sheikh to discuss the engagement.



## 2. MEN FROM WOMAN'S FAMILY JOIN

Typically, about 35 men from the woman's family come. The man's elders give the following:

- ***gabaati*** for the family to distribute between the attendees (typically 5,000,000 Somaliland shillings in cash, which is easily distributed across each family member). Cash is still used, both for tradition and because it is more easily distributed to a large number of people than sending via Zaad.
- ***yarad*** for the mother of the woman (via the father/other elder in attendance), to use for wedding costs and to host the female members of the father's family. This is typically ~US\$1,500, given in an envelope.



## 3. MEN FROM MAN'S FAMILY JOIN

About 35 men from the man's family join. The woman's family gives back to the man's family ~1,500,000 of the gabaati, as a gesture. This cash is distributed amongst the attending members of the man's family.



## LARGE EXPENDITURES: MARRIAGE

As in many cultures, getting married is a significant lifetime expenditure, that can require years of savings. If an individual man does not have enough to marry, he will either spend time saving up or ask for help from family.

Engagement is a bigger event than the wedding: the actual marriage is secondary, a celebration. Husband and wife may live together after the engagement, but not before the marriage. *Dadab-gal* is a term to describe the act of taking one's "wife to be" home for a night prior to being formally married, but after the engagement.

Though most of the traditional money exchange associated with the engagement is done through cash (for convenience and convention), purchases related to the actual events (food, womens' dresses, etc.) are made using the medium used for these same expenses, otherwise Zaad.



*En route to Berbera, the road was washed out by a violent storm. The team used the delay to hustle road-side interviews, including the seven women of one family heading to a wedding. We set up an impromptu photo studio, and shot portraits of the family and the bride-to-be, providing prints via a battery-powered printer.*



LAS GEEL

## IN SUMMARY:

Circumstance, tradition and familial ties establish a precedent for the fluidity of capital across kin.

### LARGE FAMILIES & THE DIASPORA

It is still quite common for individuals to have 10–11 siblings, and nearly as many aunts and uncles. In most families, at least two members are diaspora either having left as a refugee in the 90s or having migrated since for economic reasons. As such, it has become common for money to flow in from abroad and then across cousins and relatives. Furthermore, there is financial obligation not just to one's family, but also to one's sub-clan and clan. These relationships provide prime opportunities for money to regularly move between people and across distances—a fantastic use case for mobile money..

### URBANISATION, THE RAIN & BEING OUT OF WORK

With limited industry, there is limited work; those who have work, especially those who have established businesses and are successful, are compassionate towards the members of their family who struggle to make ends meet. Furthermore, those who are still beholden to the rain (nearly all of the rural population and pastoralists) are also often reliant on their more successful, often urbanised relatives.

# 3

## A Nuanced Relationship with Money

Caught between the national currency Somaliland Shilling (SLSH) and the currency of trade and remittance (USD), money practices in Somaliland are distinctive and complex.



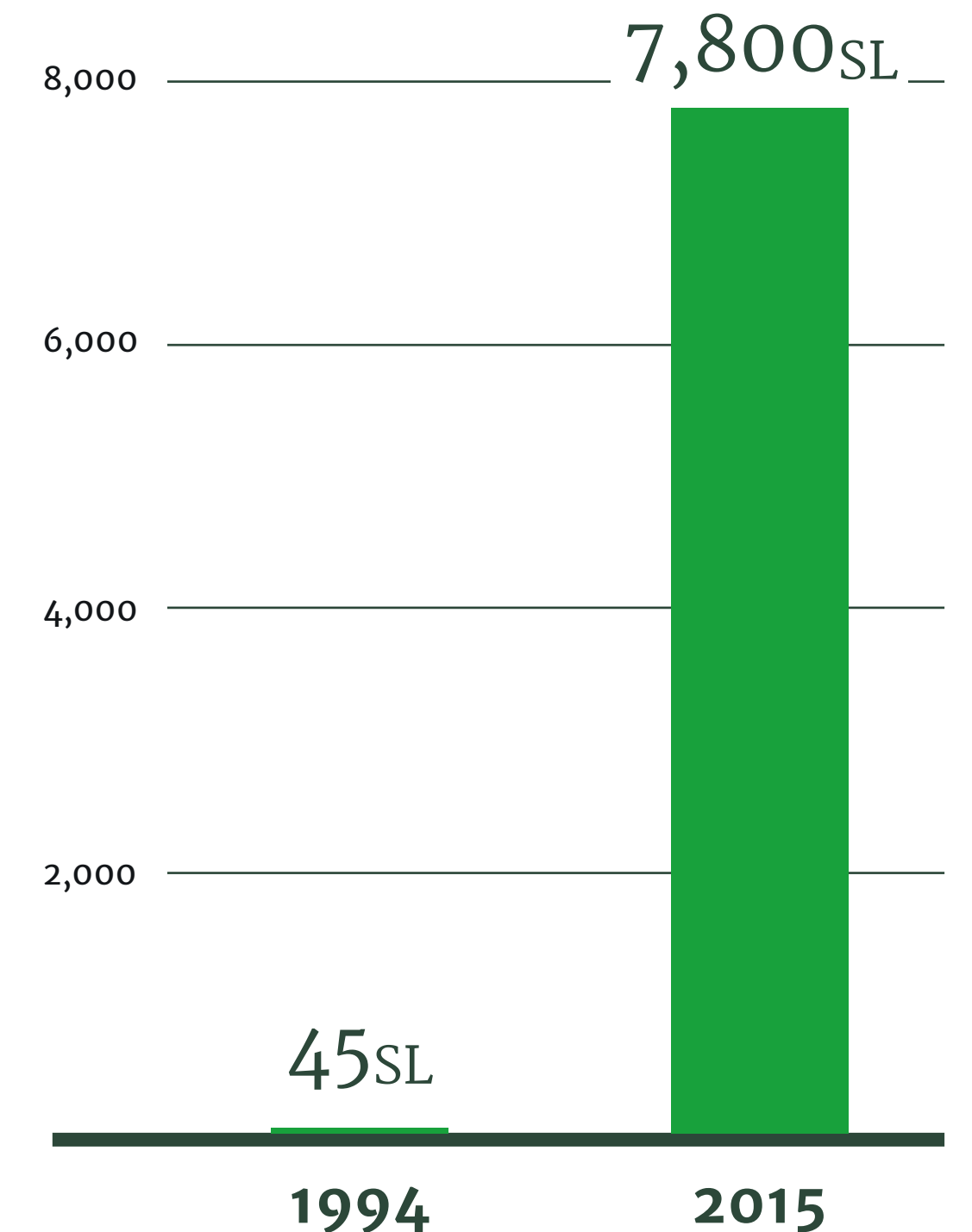
# DUAL-CURRENCY COMPLEXITY

The Somaliland Shilling was introduced in 1994, replacing the Somalia Shilling. The inflation of the Somaliland Shilling since has created a significant rift between those whose income is based in a shillings ecosystem (pastoralists and those in rural areas) versus those living in a dollar ecosystem (international traders, receivers of overseas remittance, individuals receiving income or salary via Zaad).

Furthermore, all savings and bank accounts in Somaliland are in USD, which acts as a deterrent to rural populations, who believe they “do not have enough to save.”

## NO US CHANGE

There are no US coins in circulation in Somaliland, so transactions frequently start in USD, and end in SLSH. Change for a dollar is given in shillings, rounding up and down is common.



**SOMALILAND SHILLINGS TO US\$1**

# THE INTERPLAY BETWEEN CASH AND ZAAD

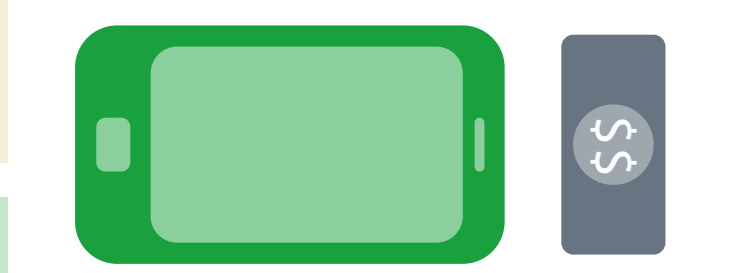
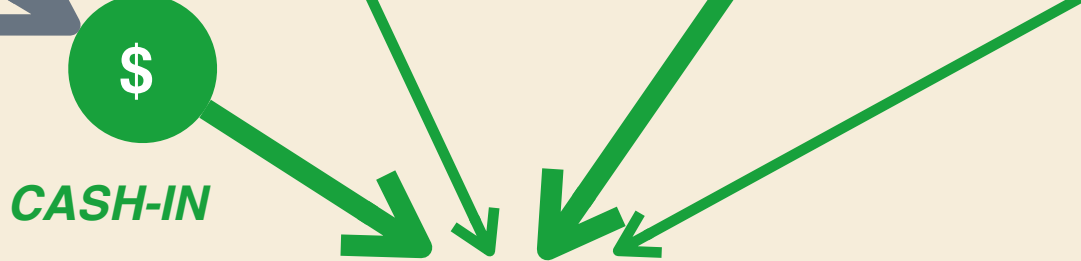
To understand the diversity of money flows, let's take a snapshot of two individuals: an urban dweller and a rural dweller.

→ CASH → ZAAD

## URBAN DWELLER

### INCOME

- REMITTANCE**  
Dahabshiil (most likely international)
- REMITTANCE**  
Compatible with Zaad (local or international)
- SALARY**  
Monthly, or salary advance
- OTHER**  
Some have other side businesses, such as running a bus service



### EXPENSES

- PAY BILLS**  
Monthly expenses like electricity, most of which can be paid via Zaad
- OTHER FEES**  
E.g., School/lunch fees for kids
- DAILY GROCERIES**  
Typically purchased by the woman of the house, using cash



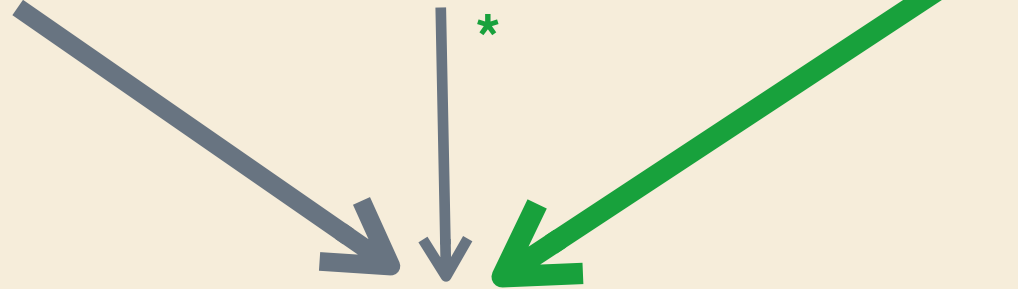
### SAVINGS

**BANK**  
Cashes out in USD. Typically keep in a Dahabshiil account

## FARMER & PASTORALIST

### INCOME

- LIVESTOCK**  
Receives cash (shillings) either from a broker or directly from buyer
- AGRICULTURE**  
Watermelons, onions, maize, and corn
- REMITTANCE**  
From relatives in the city, likely via Zaad



### EXPENSES

- DAILY GROCERIES & MISC**  
Groceries & purchases, like khat, top-up or battery charge
- GROCERIES**  
For weekly or monthly groceries, amount debited from account at shop



### SAVINGS

- LIVESTOCK**  
Camels, cows, sheep and goats are alternative forms of storing value
- Balance is held by the shop, so money is out of sight and out of mind

# EVERYDAY PRICES

As an example

\$45,000	House in premium location in Borama, 3 bedrooms, 1 bathroom, kitchen
\$28,000	Large truck to transport goods
\$17,000	Starting price for a tractor
\$11,000	Small truck to transport goods
\$4,000	Toyota Corolla, including import taxes
\$730 - \$1100	Healthy, 11 year-old camel*
\$300	Medical school/Amoud University, per semester
\$233	Business school/Amoud University, per semester
\$200	To transport 300 goats from Hargeisa to Berbera for export using a truck
\$170	Basic fridge for home
\$55	Basic Android phone
\$45 - 65	Healthy goat or sheep
\$30	Private school secondary school/per month
\$25	1kg bundle of khat (also available in \$3, \$5, \$10 and \$15)
\$10	Farm employee, harvest season, per day**
\$10	Camel meat for two persons
\$7	Public school secondary school/per month
\$5	Meal with meat/per person
10,000 SLSH/\$1.3	Barrel of water for farm
9000 SLSH/\$1.3	1kg spaghetti
5000 SLSH/\$0.7	1kg rice
3,500 SLSH/\$0.5	Rice and gruel + water meal
1,000 SLSH/\$0.14	Decent chai
1,000 SLSH/\$0.14	Pen
500 SLSH/\$0.07	Cost to charge mobile phone at substation
100 SLSH/\$0.01	Chewing gum

Around this cost, dollar transactions require significant change in Somaliland Shillings

\*More if it has a baby

\*\*Harvesting a corn field takes ten days and requires two labourers

# THE CONSUMER SWEET SPOT FOR ZAAD

~US\$2000

## TOO MUCH FOR ZAAD

Lack of trust in the system  
Difficulty keeping hidden from family and friends  
Too easy to spend if left in Zaad account  
Default maximum for a personal Zaad account is US\$2000. This can be increased through an application process with Telesom.

Due to widespread adoption and local sharing norms, money stored in Zaad tends to be spent faster than cash. A lack of trust in the electronic dimension of the system and the need to protect a sum from the needs and curiosity of relatives can lead to cash-outs, and drive individuals to store value elsewhere.

US\$100

## ZAAD SWEET SPOT

Airtime top-up  
Buying clothing/other commodity  
Paying a restaurant bill  
Helping a friend with some money  
Sending money to a relative in Puntland or the village

US\$1.5/  
10'000 SLSH

## NOT ENOUGH FOR ZAAD

Daily groceries  
Small purchases  
*Bajaaj*  
Convenience purchases (e.g. buying water from your car window)  
Bus fare (1,500 shillings)  
Somali Tea (1,000 shillings)

For some transactions and in rural environments Somaliland Shillings still persist; predominately for convenience and due to cumbersome conversion to Zaad's current currency, USD.

While it is possible to use Zaad for fractional transactions (whereas change for USD otherwise does not exist), the steps required (versus USSD short code, described later) plus the availability of shillings make shillings cash more convenient.

# SAVINGS MECHANISMS

Depending on income, currency and location, people use various forms of savings.

## USD

### DAHABSHIIL

The mostly popular bank for saving, typically used by the upper class and business people.

### ZAAD

While some use Zaad as a temporary savings mechanism, (while waiting to cash out) most of our participants do not trust the infrastructure or the operator (Telesom) enough to keep their money in the service. More sophisticated users (those who understand the fragility of the digital ecosystem/ lack financial backing in the event of a crash) moved money out of Zaad to USD on a daily or weekly basis.

As of May 2015, all formal savings products (available via Daar Salama and Dahabshiil banks) held money exclusively in USD. We anticipate that with the rise of shillings in the mobile money landscape will come shillings-based accounts.

## SLSH

### HAGBAD

Rotating savings and loan associations, widely used by those with lower and middle income, including rural populations (sometimes called “Go Merry Round”).

### STORE IN TOWN

Large sums of cash are saved in trusted shops in town for safe keeping. Shops then function as a debit/credit account for goods. Often used by housewives (money set up by husband) and pastoralists (those who find it is difficult to store and carry large sums of cash).

### BOX OF CASH

Rudimentary concealing of bank notes, the less safe yet widely used form of saving. Discreetly storing high volume Somaliland Shilling is impractical, due to physical bulk.

## INVESTMENT

### LIVESTOCK

Purchasing and caring for livestock is a common form of investment among farmers and pastoralists.



*“A hundred dollars in Zaad will be spent far more quickly than a hundred dollars in cash.”*

– Ismil, Male, Entrepreneur  
BERBERA

*“I don’t trust Zaad, with their satellite moving money in and out of my phone.”*

– Samiir, Male, livestock trader  
HARGAYSA



*“I have a secret SIM my kids don’t know about. I transfer from my business’ Zaad to it to save money.”*

- Ibado, Female, Micro-Entrepreneur  
BERBERA



*“Do you prefer cash or mobile money?”*

—*“Zaaaaaad!”*

- Students from Puntland  
BORAMA

*If you say you have no money, a relative can ask for evidence, usually by requesting to see your account balance on your phone.*



## IN SUMMARY:

Universally known, Zaad has established itself as *the* platform for specific use cases.

### DUELLING CURRENCIES

As, up to today\*, all of Somaliland's formal financial products have been in USD rather than the local currency of the Somaliland Shilling, there has been a natural rift in access and use between those who deal in dollars and those who do not. This is further complicated by the inclusion of USD in circulation, however without change, limiting its usefulness for the poor, as shillings-as-change is often requested from transactions.

### “TOO MUCH FOR ZAAD”

Still nascent distrust in the system.

### THE URBAN SWEET SPOT

Regardless where and by whom Zaad is used, it is used all the time. For purchases between US\$2-200, it is far easier to use Zaad than to carry US cash or to carry the equivalent (unwieldy) corresponding amount in shillings. As Zaad acceptance is universal (even those without Zaad know somebody who can receive the funds for them), those who are paid their salary in Zaad or are any part of the USD economy (e.g., traders or those who receive remittances from Dahabshiil) find it quite easy to use the platform for almost all purchases (save for daily groceries which, due to their small size, are still mostly handled in shillings).

\*A Zaad SHSL wallet was launched on 15 May 2015 - just as our team departed Somaliland.



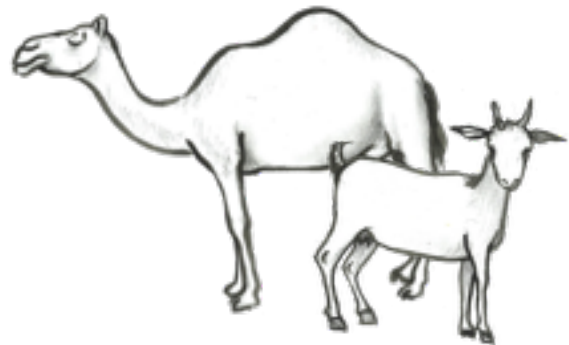
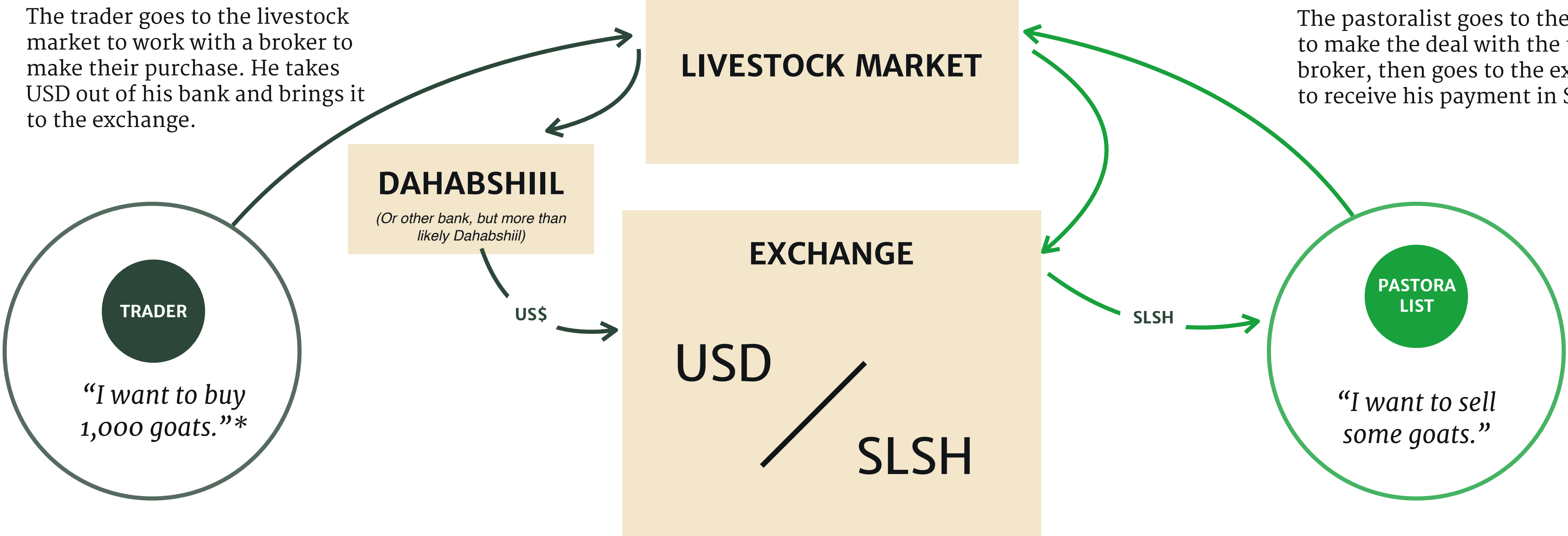
# WHO MAKES THE MONEY MOVE

Livestock, one of the biggest industries in Somaliland, is inextricably linked to the money exchange. It is considered, conventionally, that pastoralists prefer the shilling based on their rural, shillings-based ecosystem (as described earlier). However, as Zaad use increases among pastoralists, it is unclear whether the persistence of the shilling in the livestock market (and arguably the rural ecosystem as a result) might be perpetuated by traders and the exchange, rather than by the preference of the pastoralists.

## SCENARIO 1

The trader goes to the livestock market to work with a broker to make their purchase. He takes USD out of his bank and brings it to the exchange.

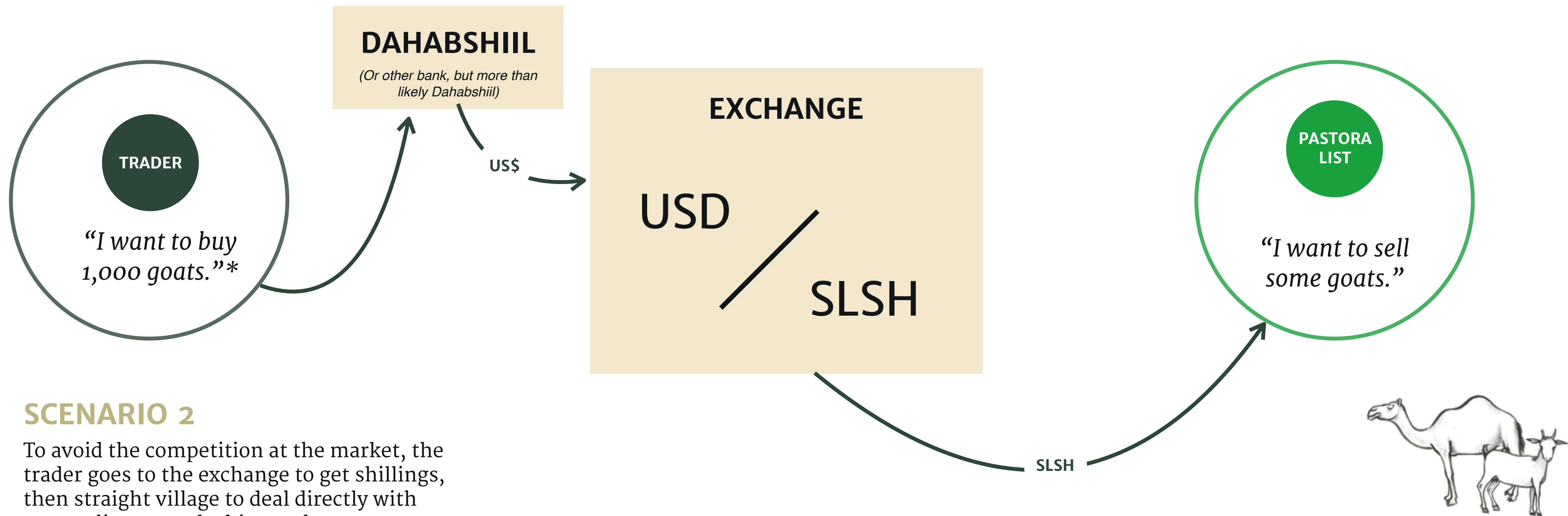
The pastoralist goes to the market to make the deal with the trader or broker, then goes to the exchange to receive his payment in SLSH.



\*Traders may buy anywhere from 150 – 10,000 livestock in one transaction, depending on the market and the season

# WHO MAKES THE MONEY MOVE

Increasingly, traders are going direct-to-source for their livestock, avoiding the markets and brokers altogether.



## SCENARIO 2

To avoid the competition at the market, the trader goes to the exchange to get shillings, then straight village to deal directly with pastoralists to make his purchase.

\*Traders may buy anywhere from 150 – 10,000 livestock in one transaction, depending on the market and the season

# ZAAD USE ACROSS VENDORS

Due to the application process required to acquire a Merchant Zaad account (and the lack of perceived benefits for small shops), many use their personal accounts for their businesses. Many multi-person businesses we encountered are using Zaad to pay their employees, for example a rural khat farm and an urban mobile-phone shop.

Most people with merchant Zaad accounts also take e-Dahab. However, some have said that there have been little to no transactions done via the platform. e-Dahab had a significant push to grow the merchant user base upon launch, and most of the individuals we met were signed up via an agent visiting their business and facilitating the application process.



**LARGE SHOP**

- Uses and prefers a Merchant Zaad account, as both co-owners can access the money (in business' name)
- Uses Dahabshiil for savings, and remittance service to buy goods from Dubai
- Pays salaries of staff via Zaad (including the owners')



**SMALL MARKET VENDOR**

- Uses a personal Zaad account, but most business in cash SLSH
- Has savings—either on a “secret SIM” or physically stored in USD somewhere safe
- Member of *hagbad* savings group
- Member of a market union



**INFORMAL ZAAD AGENT**

- Uses a personal Zaad account to change money cash in/out at the market, charges ~3% commission for services
- Sometimes sells other goods, like mobile phones or gold



**VILLAGE TAXI**

- Uses a personal Zaad account
- Charges 2,000–10,000 shillings to transport items from the village to the town, depending on item size
- Works on rotation with 2–3 other taxi drivers who share the same car



**BAJAAJ DRIVER**

- Uses the *bajaaj* owner's personal Zaad account
- Splits fares with *bajaaj* owner
- Prefers cash, as he doesn't have visibility into Zaad charges and doesn't trust that the owner is honest with him about what he is owed
- Receives salary via cash

# TRANSACTIONS & MERCHANT ADOPTION

## Why use a Merchant Zaad?

**Management:** More optimal for businesses with multiple people, as more than one person can have access to funds and manage account.

**Security:** Money can be sent to merchant account while an employee is working, and that employee does not have access to utilise the money.

**Reporting:** Online tools make it easy to gain information for reporting and bookkeeping.\*

## Why not?

**Application process:** must be registered and have a certificate from a ministry officiating the business OR have business referrals

**No strong value proposition:** if a single-person business, there is no need to transfer between merchant and personal accounts

**Too few transactions:** for small groceries and market stalls, Zaad transactions happen so infrequently that it is only necessary to have access to a Zaad account—which doesn't even need to be your own

In rural areas, access means having a cousin or uncle with a Zaad account, whose number you have memorised and use in the off chance that somebody wants to pay with Zaad.



*Formal versus informal Zaad signage.*



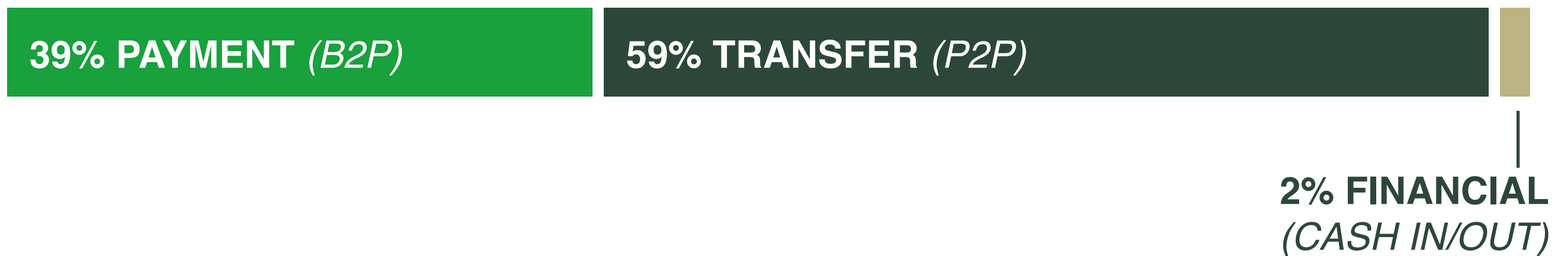
*\*We are uncertain whether the online and account features for vary between personal and Merchant/business Zaad accounts.*

# REPORTED VS. ACTUAL TRANSACTIONS

Because of the high volume of personal Zaad accounts being used for business transactions and informal Zaad agents, we believe actual usage to be quite different from the data reported through Zaad's systems.

## Reported Zaad Transactions

The numbers as reported by the Zaad system (graciously supplied to us via Zaad's general manager) indicate that the bulk of transactions are P2P money transfers. In this data, payment transactions are those from a merchant to a personal account (and vice versa), and financial transactions are cash in/out done via a formal Zaad agent (with a registered number).



## Estimated actual transactions

In contrast, based anecdotally on our experience in-field, Studio D believes that the reality is people are using personal accounts quite often for business transactions. We also believe that informal cash in/out is happening both via informal Zaad agents and through casual exchanges between friends and relatives.



This phenomenon may account for the relatively high volume of transactions compared to other markets.

# CASE STUDY: ZAAD VS CASH

Libaan, 30, bajaaj driver, Borama.

Libaan is ethnically Somali, and grew up across the border in Ethiopia. After moving to Boroma three years ago, he continued the profession he'd occupied in Ethiopia, a bajaaj (auto-rickshaw) driver.

Every evening, he and the bajaaj owner divide up the income for the day, Libaan receiving 35 percent. The owner's main costs are fuel and maintenance. By maintaining a Zaad account, the owner mitigates some of the risk of loss or theft. Also, Libaan is illiterate and although this is not necessarily a barrier to adoption (he can rote learn how to send/receive money), it can be an indicator of unwillingness to learn new things.

Though there are quite-visible Zaad numbers advertised inside the rickshaw, most of his customers prefer to pay in Shillings, due to the low cost of a fare and the lack of ability to pay fractions of a dollar. When he came to Boroma, he was one of six bajaaj drivers in town; the number today is close to a hundred.

Libaan hopes to become a truck driver, and to receive better pay in the future.



*Inside his Bajaaj, a sticker indicates the Zaad number of his employer. However, it makes the revenue split less transparent for him, so he prefers cash. His cash is stored in a specifically designed pouch hanging on the rickshaw's handle*

# ZAAD AND THE RURAL POPULATION

Zaad is yet to be an effective alternative for cash for the rural population, including with pastoralists. However, it is a present part of the urban ecosystem; everyone we met had access to a Zaad account, even if only via a relative in the village. Even participants from the older generation who said they don't have a use for Zaad were aware of it. Its limitation in rural areas is based on a combination of the following factors:

## NETWORK & COVERAGE

Though coverage is quite good along major corridors (e.g. the road from Berbera to Hargeysa), veering into the bush, one loses signal relatively quickly.

## ELECTRICITY AVAILABILITY & COST

Zaad requires a phone with power. With electricity costs at US\$1/kWh (some rural people have electric bills of US\$50/month), having municipal electricity is prohibitive. This will be less of an issue as solar power and battery storage continues to drop.

## CASH IN/OUT

Virtual currency is not useful if it cannot easily be converted to physical cash when needed. We encountered individuals who cash out as soon as possible, to avoid a later trip specifically to do so (which takes time away from their work, and can cost money for the journey).

## USD

Most rural transactions still happen in shillings, and the exchange rate to USD is rarely favourable.

## ECOSYSTEM

If one of the steps of a workflow is in cash, it disrupts the process of transacting and costs money lost in exchange.

## LITERACY

In this short study, we weren't able to ascertain literacy rates for the rural poor. As a general rule, rote learning of short codes reduces the likely impact of illiteracy, and proximate use (relying on others who are both technologically and textually literate and numerate) can overcome most barriers to using text-based interfaces.

## CONVENIENCE

The combined challenges of maintaining a charged phone, cash in-out and using the traditional USSD menu for day-to-day transactions (due to small size) make Zaad simply inconvenient relative to cash.

# CASE STUDY: GROCERY STALL

Hibo, 40s, entrepreneur, Berbera

Hibo has been operating her small grocery for 25 years, since moving to Berbera from the Puntland/Ethiopia border (after marrying her husband).

She has difficulty reading, and is a proximate user of her Zaad account, seeking assistance of the youth around the market when a transaction is to be made. The majority of her transactions are still in shillings, as her customers are mostly women making small, daily purchases.

In the market there are two important systems in which she participates:

## 1. Women's Union

A group of women who work in and around the market and desire representation amongst the male unions/groups when it comes to decision-making.

## 2. Hagbad ("Go Merryround")

An informal savings and loan association (SLA) with other women in the market.



*Despite a US\$50/month electricity bill, Hibo happily lets her customers and others from the village charge their mobiles at her shop. She often facilitates small transactions for those in rural areas who can't come to the village to buy goods.*



# TRANSACTIONS & CUSTOMERS OF A SMALL GROCERY STALL

The following data is taken from an interview with the female owner of a small grocery stall in Hargeysa. We consider this representative of what we learned elsewhere.

## 65% TRANSACTIONS IN CASH SHILLINGS

Due to lack of refrigeration, many buy groceries on a daily basis. Clients who buy daily groceries are more likely to be women.

## 35% TRANSACTIONS IN ZAAD

Of which most are monthly grocery purchases made by men, either at the store or in payment for accumulated credit at the end of the month (of note, women may have been the people going to purchase monthly groceries, though husbands typically pay the tab).

Of the women who visit the shop, 20% of them having Zaad the remaining 80% do not.

## WOMEN HAVING ZAAD

We have met women who use Zaad. However most are either employed/paid salary via Zaad or work in an ecosystem in which having a Zaad account is necessary (i.e., a market).

*“I have to have a Zaad account. If somebody wants to pay in Zaad, I need to support it.”*

–Market Vendor

## DAILY COST OF GROCERIES/PER HOUSEHOLD

Upper class US\$10

Middle class US\$5

Lower class US\$2.5



*“Zaad will be more useful when it is in shillings.  
Transactions at my shop are too small now.”*

- Khalid, Male, Small Shop Owner  
BORAMA



*Returning home with empty camel-milk containers  
(that sometimes contain cash from each sale).*

ROAD TO BORAMA

## IN SUMMARY:

Blurred lines between commerce and personal use, and the lack of identity of a transaction.

### PEOPLE USE EACH OTHER'S

The speed and accuracy of Zaad, combined with an inherent tendency to regularly move money between individuals, makes for interesting use cases. Proxy use and informal transactions happen regularly and without regard.

### MERCHANT VS. PERSONAL VS. PERSONAL MERCHANT

The lowest barrier to entry is a personal Zaad account, which is often used by smaller vendors in lieu of a Merchant account. The value proposition of a Merchant account isn't clear, and there is little reason for them to consider it.

# 4

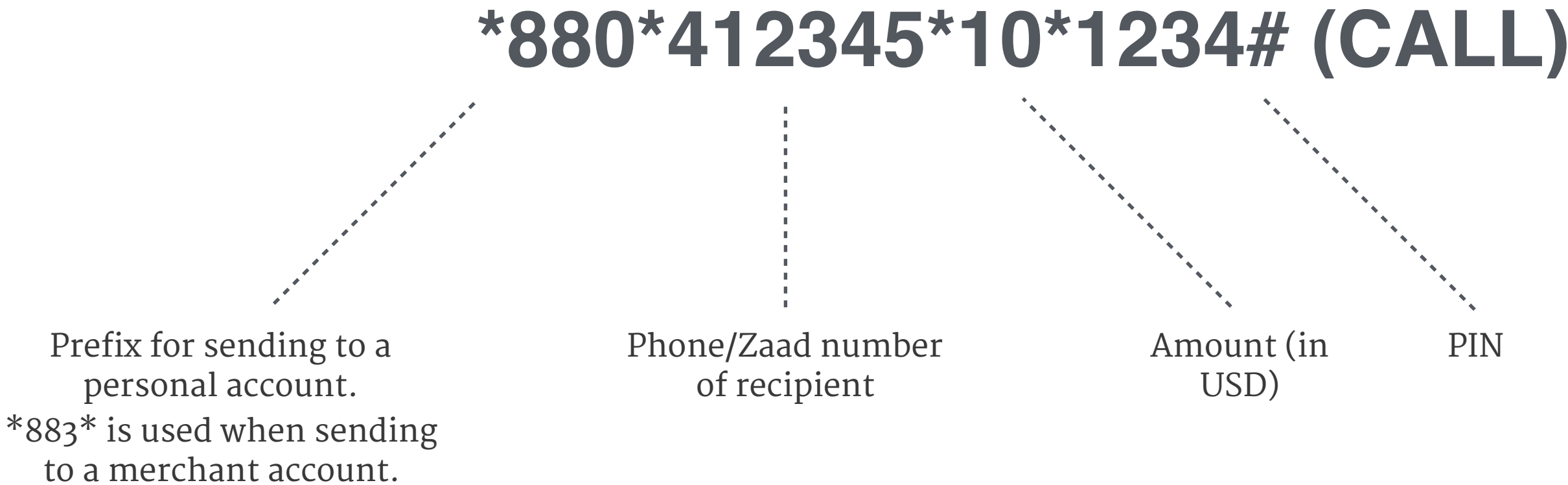
## A Considered Interface

Zaad provides a way of engaging the broader financial system without being a formal consumer of financial services. While the traditional USSD menu is cumbersome, the newly-introduced short codes are a simple and effective way to transfer money. They are being more widely promoted by Zaad and slowly gaining traction.

# HOW TO SEND MONEY

There are two ways to send money with Zaad, by short code (see below) or by a more convoluted USSD menu. Note that when using this short code, fractional amounts cannot be sent. In order to enter a USD amount with change (e.g. US\$3.25), the traditional USSD menu must be used (or change given in shillings after the Zaad transaction, as detailed on the following page).

Below is the most abbreviated version of the short code in which there are only two steps to complete a transaction: typing in this command and receiving a verification via SMS. To complete a transaction using the traditional USSD menu requires 10 steps.



Promotion for the Zaad Shortcode. We used it often, but believe that it will take off more broadly once shillings-based mobile wallets are introduced. It currently does not support fractional dollar transactions.

HARGEYSA - TELESOM MAIN OFFICE



The image shows a green sign for Telesom's ZAAD service. The sign features the Telesom logo at the top left and the ZAAD logo at the top right. Below the logos, the text reads 'ZAAD SHORTCODE' in large blue letters, followed by 'Isticmaalka Degdega ee Adeega ZAAD' in smaller black letters. The sign is divided into three sections, each with a different payment method and its corresponding shortcode:

- Lacag dirid**  
**\*880\*Lambarka\*Lacagta#**
- Ku shubasho**  
**\*881\*Lambarka\*Lacagta#**
- Ku libso**  
**\*883\*Merchant No\*Lacagta#**

The background of the image shows a street scene in Hargeisa, with a utility pole, power lines, and buildings. A string of red and white flags is visible in the sky. In the background, there are signs for 'DAHABSHIL BUSINESS CENTRE' and 'CADA'.

# HOW TO SEND MONEY II

The recently-introduced short code for using Zaad creates a locally unprecedented affordance, allowing a transaction to happen with only two commands. The interplay between the sender and receiver is interesting, especially in a retail setting.



A seller indicates the price for an item intended for purchase.



The buyer finds or asks for the seller's posted Zaad number.



The buyer enters a short code, the seller's Zaad, and the item cost. Since this shorthand does not support fractions of a dollar, the buyer typically rounds up. In contrast to the purest form of short code, he does not yet enter his PIN—he first wants to confirm the seller.



He receives feedback of the seller's identity and the amount to be transferred. If correct, he enters his PIN.



The seller receives a confirmation of transfer, including the buyer's name and phone/Zaad number.



As no US change is available in Somaliland, change is then given in shillings.



*So called “sub-stations” provide phone charging for homes that have no power. A full charge costs ~500 SLSH. Have become less common, as airtime top-up can be purchased via Zaad or e-Dahab.*

BORAMA



*The use of Zaad and e-Dahab are increasing the tempo in which business is conducted.*

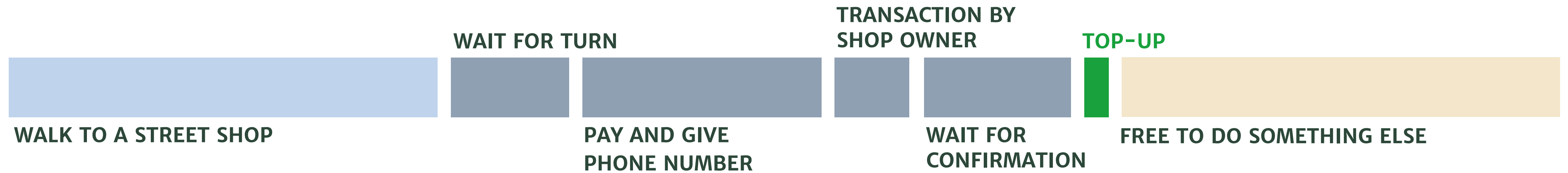
BORAMA



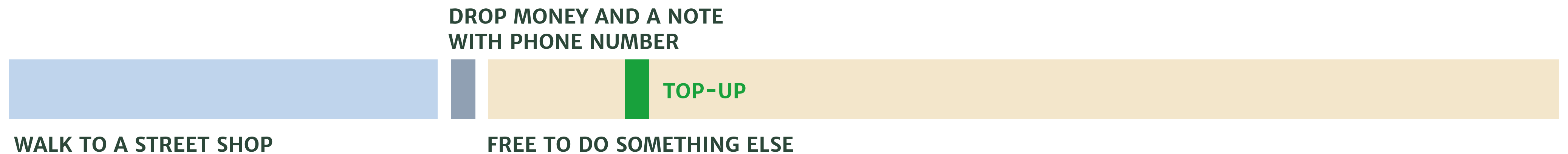
# THE LENGTH OF TRANSACTION

In a highly mobile society, different mixed cash/Zaad usages and behaviours allow users to take advantage of their ability to displace certain tasks in both time and space.

## Normal queue and pay cash top-up



## Walk-by cash top-up



# SOCIAL DYNAMICS AROUND CASHING OUT

When anyone with a mobile phone and Zaad is notionally a cash out point. What happens when someone wants to pay you, but the tools to receive payment are not working?

We encountered situations where mobile phone batteries were dead, the phone was being charged out of reach of the owner, or the phone was shared with others. In these situations the receiver can ask for cash, may receive USD or SLSH, and may need to provide change

An alternative is to find someone nearby, most likely a retail outlet to receive the Zaad payment and cash out for you. It is considered a minor social inconvenience.



*“My phone battery is dead. Let me find someone that can take Zaad, and they can give me cash.”*

- Ahmed, Male, taxi driver  
HARGAYSA



Informal Zaad agents take a 2-3% commission on transactions, depending on availability of cash, prior relationship and the size of transaction.

HARGEYSA LIVESTOCK MARKET

# CASE STUDY: FARMER WITH LIVESTOCK

*Axmed Abdulraxim, 28 years old, Gebiley*

Axmed lives with his sister and husband with whom he shares a farm. Their revenue is split between him and his brother in law.

Axmed manages all his finances with his Zaad account, receiving payments for the trade of his farm's production, paying farm employees who help during the harvest and also to rent the truck needed regularly to move his production to the different wholesalers he supplies.

He's saving money and hopes to marry soon. Once married, he's hoping to scale his farming activity and save enough for better irrigation, machines and maybe a tractor.

He hopes to go to university and study more about agriculture.



*“Without Zaad, our lives would go backwards.”*

– Axmed, Male, Farmer  
GEBILEY

*Axmed shares his farm with his sister and her three children. She takes care of meals, grocery shopping and washing clothes. He grows a field of Khat, for his own use. The entire field is worth only 90 USD, due to heavy price competition with Ethiopian imports.*

# NUMBERS & LIMITED LITERACY

Literacy is complex, as those educated before 1970—if taught to read and write may have learned Arabic or one of the many Arabic-based permutations of the Somali alphabet prior to 1972.

Zaad is very numbers-based, and as numbers transcend alphabets and are easily learned, recognised and remembered by those who are semi-literate, it ceases to be a significant barrier for one to remember their Zaad number.

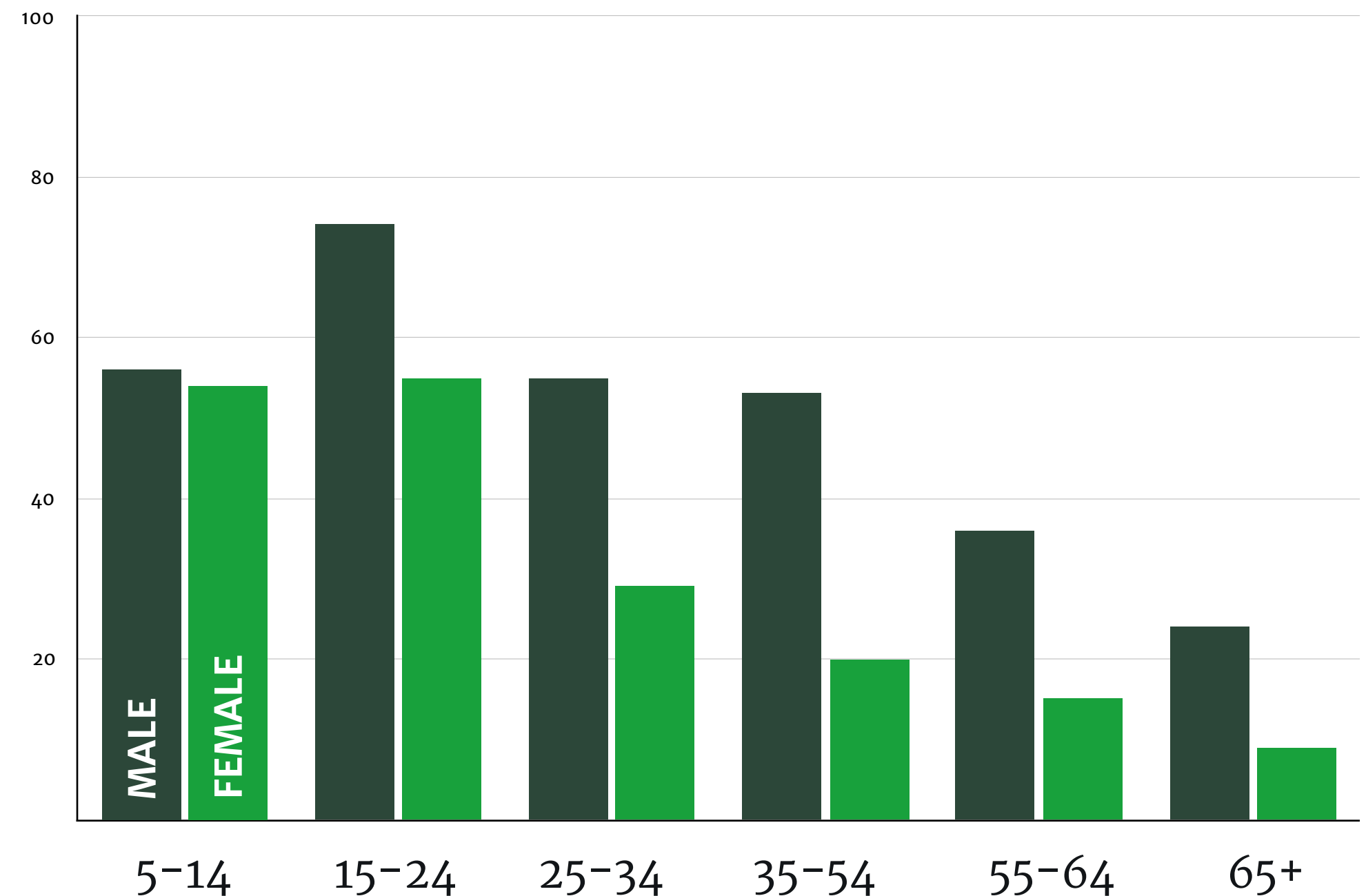
Note: Phonemic languages (like Somali) have interesting implications when it comes to any human-computer interface. With multiple spellings for any one thing (Ahmed vs. Axmed, for example) expanding beyond a number/pin-based system will be challenging.

For example, of the three accounts opened while in Somaliland (Dahabshiil, e-Dahab, Zaad), Lauren's email address was misspelled by at least one character each time.

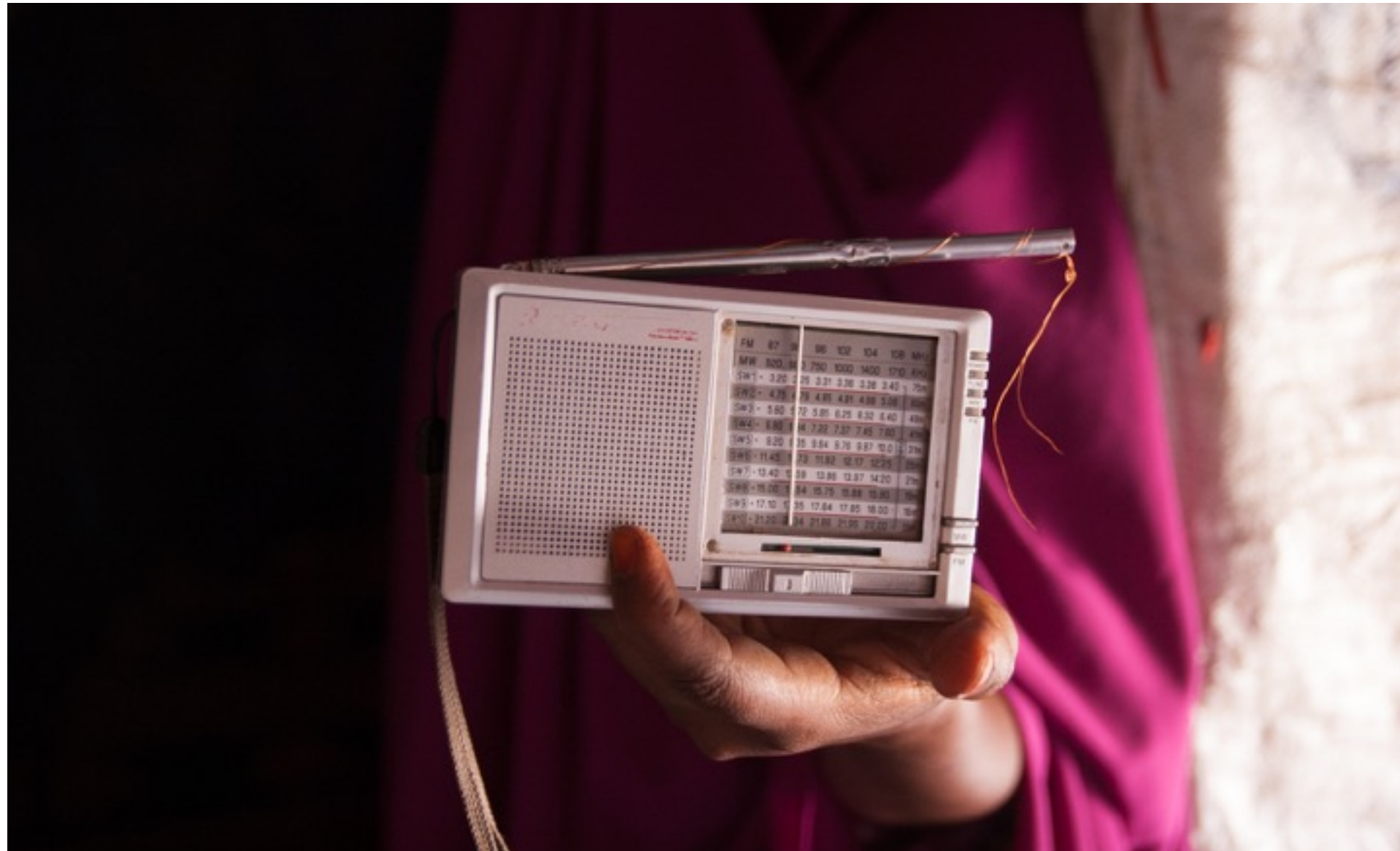
## THE SOMALI ALPHABET FOLLOWS AN ARABIC-BASED ORDER WITH A LATIN ALPHABET:

' , B, T, J, X, KH, D, R, S, SH, DH, C, G, F, Q, K, L, M, N, W, H, Y, A, E, I, O, U.

SOMALILAND LITERACY RATES BY AGE<sup>1</sup>:



<sup>[1]</sup> Labour Force Survey Somaliland  
[http://en.wikipedia.org/wiki/Somali\\_Latin\\_alphabet](http://en.wikipedia.org/wiki/Somali_Latin_alphabet)  
<http://www.omniglot.com/writing/somali.htm>



*Prior to the 1970's, Somali was a primarily oral language. Voice is still the primary means of communication (over, for example, instant messaging), even within the youth. Social media is used, however, even then voice preferred. E.g. Facebook voice, Viber, etc. are popular.*

PASTORALIST SETTLEMENT NEAR HARGEYSA



*A side effect of the Zaad service design is that a vendor acquires the registered identity and phone number of each customer that uses it. This, along with personal mobile ownership would accelerate a shift to love-marriages.*

# CASE STUDY: SCHOOL TEACHER

*Jamal, 28, Borama*

Lives in a home with his family. Teaches secondary school both at a private and public school. At private school, he is paid by the students via Zaad; public school is paid half by students and half by the Ministry of Education.

He has a smartphone (iPhone 4), a gift from a relative living in the UK.

Jamaal receives his salary through Zaad each first week of the month. If needed, he can request the school for an advance and the school accountant will send it.

After receiving his salary, using Zaad, he usually pays bills, sends some money to relatives and keeps the rest on his Zaad account.

His main dual-SIM phone has both Telesom and STC SIM cards. His iPhone is mainly used at home on his WiFi to play games.



*“I don’t have any cash on me. I never do—it’s all on Zaad.”*

- Jamal, Male, School Teacher  
BORAMA

## IN SUMMARY:

A fantastically easy user interface (and infrastructure that works well) has not just enabled a successful platform, but also created new behaviours.

### LOW BARRIER TO ENTRY

Numbers-based, so not a challenge for the semi-literate, and easy to manage via proximate use.

### THE BEST SHORT-CODE

While the old USSD menu-based system is convoluted, the new short-code being used balances ultimate simplicity with verification and validation to instil the user's trust in the system (and that their money is handled appropriately).

### BEST PRACTICES FROM ACROSS THE WORLD

Have taken the best of M-Pesa and other platforms but changed them to make them work for Somaliland. Zaad and Dahabshiil have both created platforms, not products.

### CHANGING WORKFLOWS

Businesses can have an unprecedented record of transactions; individuals can easily look each other up.



# 5

## What's Missing, & What's to Come

In the foreseeable future what will shape the trajectory of Somaliland's growth, and the adoption of mobile money?

# THE INTRODUCTION OF THE DIGITAL SHILLING

Based on media announcements and operator interviews, both Telesom and Somtel plan to introduce Somaliland Shillings in order to curb the country's present hyperflation and satisfy a growing consumer demand. Supporting dual currency is easy for consumers to understand, and on Zaad will be supported by a separate prefix (and corresponding account) for Somaliland Shillings vs USD. The decision for a dual wallet was made in order to avoid the need for Telesom or Zaad to act as an exchange.

Pay using USD ..... **\*88X\*412345\*10\*1234# (CALL)**

Pay using Somaliland Shilling ..... **\*22X\*412345\*10\*1234# (CALL)**

# SHILLING REMITTANCE TO CURB INFLATION

Addressing the problem of Somaliland's hyperinflation requires a look at the source: the massive influx of dollars to the market through remittances and international trade. Contrary to the positive value associated with an influx of foreign currency in a traditional setting, the dual-currency nature of the nation encourages a dual-currency population: Those who have dollars use mostly dollars, those who have shillings use mostly shillings. Therefore traditional economic theories do not apply.

The introduction of the Shilling mobile wallet might be the first step of a broader and continuous transition towards the Shilling economy.

After meeting with Abdirahman Shire, Zaad's services manager of Telesom, a clearer picture of Zaad's future potential emerged. Their plans to increase Zaad's compatibility with other international remittance institutions, thanks to their current API development, reveals a strategy aimed at establishing Zaad as an online payment interface, in a similar way to the popular Paypal.

Today, World Remit<sup>1</sup> for example, is already allowing remittances from GBP to Zaad in USD. This was mentioned as quite convenient by participants, as it does not require any cash-out and cash-in (versus, for example, Dahabshiil).

Following the introduction of SLSH wallet, if Zaad's remittance interoperability also supports local currency, we believe it may curb the negative influence of USD flowing into Somaliland and the chronic inflation associated with this influx.

*“Inflation is not caused by this [Zaad]...*

*Inflation is caused by the money flow of a foreign currency into the market. And the Central Bank should have control of the money flow.”*

— Abdiwahab Maax Maxamed, Telesom, involved in the launch of Zaad <sup>2</sup>

[1] WorldRemit, Send money online to Somaliland  
<https://www.worldremit.com/en/Somaliland>

[2] Roads and Kingdoms, Mobile money in a dusty land, Mark Hay 2013  
[roadsandkingdoms.com/2013/mobile-money-in-a-dusty-land/](https://roadsandkingdoms.com/2013/mobile-money-in-a-dusty-land/)



*“We can directly receive money from the UK through Zaad.”*

- Tawfiiq, Male, entrepreneur  
BORAMA



*Over the course of a single week, currency fluctuations impacted the value of our camel investment by ~11%.*

HARGEYSA



# TOWARDS FINANCIAL INCLUSION

By supporting Somaliland Shillings, Zaad and e-Dahab have the potential to extend rudimentary banking services (the payments, sending and storage of stores of value) to those currently outside of the formal banking ecosystem.

In contrast to articles imagining Somaliland as the first potentially “Cashless Society”<sup>1</sup>, our time in Somaliland showed us a divided local economy, with those able to afford the USD economy and those remaining trapped outside of it.

The pastoral and rural unbanked trade and think in shillings. By removing the need to convert money, Zaad’s wallet in shillings will lower a strong barrier to the use of Zaad, a need for conversion into USD.

Almost all poor households, farmers, pastoralists, livestock traders, and many women solely depend on the shilling. For pastoralists, the financial backbone of the economy (the trade of livestock generate up to 65 percent of GDP)<sup>3</sup>, finding greater value in and use for the Zaad platform represent a clear opportunity for the financial literacy and inclusion of the rural population.

If the dollar functions today as a financial exclusion mechanism, a variety of financial tools, notably micro-finance loans, proposed in shilling appear indispensable to empower the poor. Based on our conversation with MicroDahab, we understand that there are a variety of other micro-savings and investment tools that will soon become available as part of a larger mobile-money ecosystem. We also understand that some micro-finance that is being offered (both through Zaad and e-Dahab) contains savings mechanisms in the repayment structure.

We see utilisation of Zaad and e-Dahab as means of issuing and repaying micro-loans (as described by both providers)<sup>2</sup> as a smart step towards banking the unbanked, with the lynchpin being support of a shillings-based economy.

If both players continue to desire increased market share and adoption of their platform, a convergence of efficient financial tools specifically aimed at this part of the population and a transition to a shilling based mobile platform seem inevitable.

[1] Reference: [How mobile phones are making cash obsolete in Africa](#)

[2] SME Interviews

[3] Somaliland – peace and stability paying dividends (2012)

<http://africajournalismtheworld.com/2012/12/03/somaliland-peace-and-stability-paying-dividends/>

# DISRUPTING THE SHADOW CENTRAL BANK

A new reality participating in the de-dollarisation of the local trade of livestock may work in favour of both authorities (and government workers, paid in shillings) and low-income households most affected by inflation.

Ministers plan to develop the camel trade as a unique and local economic development prospect<sup>1</sup>, which would allow the state to receive taxes and generate much-needed income streams to build stable institutions and functioning infrastructure.

The authorities and especially the central bank are fighting not only a constant flow of foreign currency, but also a local shadow central bank, made of tycoons and street-money exchangers who manipulate prices to their advantage, driving inflation<sup>2</sup>.

Due to the livestock marketplace's dependence on street-money exchangers, we consider that a commercialisation of the current practice of camel trade may result in an even greater inability to stabilise the local tender against the dollar.

However, a digital shilling could create a complete bypass to the money exchanges. By simplifying some of the complex processes surrounding livestock trade for pastoralists (i.e., by removing the incredibly large volumes of cash from the process) the mobile shilling could limit the money exchange market's ability to fluctuate local prices.

This impact will depend on pastoralists' desire to receive payment in digital shilling. We believe the desire is there, based on the relatively high adoption (though low usage) of Zaad via at least one member of a pastoral family (based on our interviews).

[1] How do you like your camel meat?  
[http://www.slate.com/articles/news\\_and\\_politics/roads/2013/09/somaliland\\_s\\_camel\\_market\\_could\\_camel\\_meat\\_be\\_this\\_unrecognized\\_nation\\_s.html](http://www.slate.com/articles/news_and_politics/roads/2013/09/somaliland_s_camel_market_could_camel_meat_be_this_unrecognized_nation_s.html)

[2] Somaliland: Central Bank Unable To Control Inflation, Somaliland Sun, Gulaid Abdi Mahir 2014.  
<http://www.somalilandsun.com/index.php/component/content/article/5326-somaliland-central-bank-unable-to-control-inflation>

# RECOGNITION, INFRASTRUCTURE & ECONOMIC DEVELOPMENT

One of the most oppressive aspect of the Somaliland economy is how dependent it is on weather conditions and international imports. Many challenges are still present as a result of its unrecognised status as autonomous and its resulting association with Somalia proper.

With the trickle of international interest and aide money slowly increasing to a steady (albeit modest) stream<sup>1</sup>, we can expect more domestic growth and less dependence on high-priced imports to sustain the economy.

A more formal, flexible dynamic of cooperation and sovereign independence may allow Somaliland to attract more outside investments while ceasing to be penalised by Mogadishu's instability.

We were impressed with the relative sophistication regarding connectivity (both cellular and LAN) in secondary markets like Boroma and Berbera. Additionally, electricity is relatively stable (albeit expensive), albeit currently managed across multiple providers.

An increase in presence and reliability of other infrastructure (roads, clean water, water retention) will continue to grow the economy from the inside-out and, we hope, reduce dependence on international entities and imports.

[1] Anecdotally, a Coca-Cola bottling plant may open in 2015



# REMITTANCE AND THE RETURNING DIASPORA

Regional dependence (across all of Somalia) on remittances has created an interesting rift in the economy, providing significant streams of income to those with relatives who migrated/left as refugees. However, a shift towards reinvestment of diaspora into Somali businesses and local enterprises (through organisations like Shuraako as well as individual entrepreneurship) may begin to even out this distortion.

With 14 percent<sup>1</sup> of the Somali population as diaspora and an unemployment rate in Somaliland of 67 percent<sup>2</sup>, the region relies heavily on remittances. This can inflate the economy, and further marginalise those without an external (USD-based) income stream.

We encountered an unprecedented number of new businesses either started by diaspora (for example, we met returning entrepreneurs from each Oman, UAE, US and UK) or created specifically to support the increased return of diaspora (high-end hotels, cafes, restaurants). We anticipate an increase in those sending remittances shifting their behaviour towards reinvestment in the development of the Somaliland economy in a more sustainable manner.



*A participant in Borama gives Lauren a moustache using his iPhone, a gift from a relative in Dubai.*

[1]Reference: Somaliland: Risking torture for a better life abroad, Hamza Mohamed

[2]Reference: Somalia's missing million: The Somali diaspora and its role in development, UNDP

# ZAAD, REDUCING BARRIERS TO FINANCIAL INCLUSION

Telesom's efforts to bring mobile and financial literacy to the market with Zaad lower the cost of entry for Dahabshiil. Does Dahabshiil's consolidated, banking-lead approach provides a value proposition to an increasingly savvy consumer base?

With increasing advances in their ecosystem, we see Dahabshiil and Somtel with their e-Dahab and financial ecosystem of banking and remittance as likely to take a bite out of Telesom's B2B market share.

However, we believe that the unique dependence on cellular voice services (due to a largely pastoral and highly oral society) will provide Telesom with a standing value proposition through its integration between its widely used mobile offerings and Zaad.

We believe that Zaad's growth to date, based partially on Telesom's intense awareness of customer needs and the local market, will maintain their standing as an important transitive platform as the market matures.



*Chai house, where the cost of a sweet brew and container seat is SLSH 1000.*

HARGEYSA



*“We want independence, but the South will never let us go.”*

- Ismail, Male, Shop owner  
HARGEYSA

# 6

## Methodology & Approach

# METHODOLOGY

The team used qualitative, ethnographic research practices to conduct a rapid immersion into Somaliland culture. Research was conducted in May 2015.

## LOCATIONS

Research took place in Hargeysa, Borama and Berbera, and villages close to the thoroughfares connecting these towns. Additional primer interviews were run with Somali expats in the US.

Interviews were conducted in contexts where the participants felt most comfortable: their homes, workplaces, and where they hung out.

## DATA CONSENT

Oral data consent was obtained for all interviewees. In addition all photos have been scrubbed of sensitive material, and are suitable for public use.



# PARTICIPANTS

We conducted:

- 35 in-depth interviews across low- to middle-income Somalilanders, 66 percent male/33 percent female split (1 group interview), across a range of professions, including: pastoralists, farmers, students, Zaad agent, livestock agents, stall-holders, entrepreneurs and small business owners. Ages 19 to 60s
- 25 ad hoc interviews
- 4 expert interviews with directors at e-Dahab, Zaad Shuraako and MicroDahab
- Contextual interviews in homes, markets, universities, retail spaces, where people hang out.
- Observations
- Service use and abuse of Zaad, e-Dahab, Dahabshiil Remittance, Money Exchange, Livestock Market/ brokering

Where our local team map to our recruiting criteria, they are included in the ad hoc and in-depth interview figures depending on the depth of insight gleaned.





# WHAT WE DIDN'T COVER

While the team is highly experienced in rapid immersion projects, a short study of this nature necessitates prioritisation. We would have preferred:

- More focus on young females, especially those with or sharing mobile phones who primarily stay at home.
- To travel to Eastern regions (including Sanaag & Sool) where pastoralist population is highest (this was partly logistical, partly security concerns).

We acknowledge that this is a rapidly moving market, and recommend a short follow-up project in nine to 12 months time. For example, the Zaad shilling launch is planned for late May 15, 2015. Patterns of behaviour likely to settle three months after launch.

With more time, we would have spent extra days in Berbera port, to better understand transactions such as secondhand cars, livestock trade to the Middle East, refugees and returning migrants from the war in Yemen.





# F-SCALE RATING

Studio D assigns a Friction (F-Scale) Rating wherever we run projects.

Every field study location comes with an inherent level of friction that can radically alter the dynamics of the project. Think of it as a tax on time and energy to deal with everyday logistical issues that reduce productivity. The level of friction increases in places where weather is unpredictable; transport is infrequent or unreliable; where there are more languages spoken than it is possible to have translators for on the team; pollution is high; sickness is rife; where graft is prevalent; and there are numerous factors outside the team's control.

Our research locations in Somaliland have a relatively low level of friction given the level of infrastructural investment. Friction includes: visas; communication tempo; high variability on local skills for local crew; road conditions; power; internet access; need to hire Special Protection Units; being at the mercy of the weather; and in safety issues in parts of the country.

In Somaliland's favour: common languages in use; small city size; OK traffic; a reasonable rule of law, given the locales where we worked; and a welcoming and curious local populace.

**MONSOON MUMBAI 30%**

**KABUL 25%**

**RURAL SOMALILAND 22%**

**MUMBAI 20%**

**RIYADH 18%**

**HARGEYSA 15%**

**BERBERA 12%**

**LONDON 5%**

**TOKYO 2%**

F-SCALE WEIGHTING

# TEAM



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# About Studio D

Studio D Radiodurans is a research, design and strategy consultancy headquartered in San Francisco. We provide discreet services to an international client base and thrive in challenging environments.

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