EVALUATION BRIEF · FINANCIAL INCLUSION

Finance for Inclusive Growth (FIG) Somalia

How risk-sharing, affordable capital and technical assistance helped Somali microfinance institutions lend to women, youth and producers

End-of-programme evaluation · Programme period: September 2020 – December 2025 · Funded by the European Union

15,725
clients reached with loans (98% of target)

€14.2M
in loans guaranteed and disbursed (106% of target)

53%
of clients were women, against a 40% target

+35%
rise in average monthly business profit

IN BRIEF

- FIG Somalia was **highly relevant and coherent**: it tackled both the supply of credit (capital, capacity, risk) and demand-side barriers (collateral, financial literacy, suitable products) in one of the world's least-banked markets.
- The programme **delivered almost all planned outputs**, reached 98% of its client target, and **exceeded every inclusion target** for women, youth and producer groups.
- Clients saw **higher profits (+35%), household incomes (+27%) and business assets (+34%)**, and the partial guarantee facility gave partner MFIs the confidence to lend to clients they had previously seen as too risky.
- The evaluation recommends **scaling up the same model** with right-sized risk-sharing and a clear path away from subsidy, while reaching underserved areas and widening the range of Sharia-compliant products.

About the programme

Finance for Inclusive Growth (FIG) Somalia was a five-year, EU-funded programme (September 2020 – December 2025) managed by AECF and delivered through six Somali microfinance institutions (MFIs): Amana, IBS Bank, Maal MFI, MicroDahab, Raas MFI and SomBank. Part of the EU's Inclusive Local Economic Development (ILED) pillar, it set out to expand access to credit for under-banked women-owned enterprises, young entrepreneurs and producer groups.

The programme combined three mutually reinforcing components:

- **Revolving Loan Fund (RLF):** low-cost capital to partner MFIs for on lending.
- **Partial Guarantee Facility (PGF):** risk-sharing to encourage lending to groups seen as high-risk.
- **Technical Assistance (TA):** support to strengthen MFI capacity, product design and credit processes.

Funder	European Union
Fund manager	Africa Enterprise Challenge Fund (AECF)

Delivery partners	Six MFIs: Amana, IBS Bank, Maal MFI, MicroDahab, Raas MFI, SomBank
Coverage	Banadir, Somaliland, Jubaland, South West, Galmudug, Hirshabelle and Puntland
Target groups	Women-owned enterprises, youth entrepreneurs and producer groups
Pilot targets	About 16,000 clients and €13.4 million in loans

About the evaluation

This independent, end-of-programme (summative) evaluation assessed FIG Somalia's performance from September 2020 to December 2025 and set out evidence-based recommendations for future programming. It used a utilisation-focused, theory-based, mixed-methods design structured around the OECD-DAC criteria of relevance, coherence, effectiveness, efficiency, impact and sustainability, and examined cross-cutting issues, learning, adaptation and the potential for scale-up.

Evidence base

Source	Coverage
Beneficiary survey	402 loan recipients (target 420), selected by multi-stage stratified sampling by MFI, state and target group
Programme administrative data	Records covering all 15,725 clients
Key informant interviews	21 interviews with MFI senior managers, AECF staff, EU officials and government representatives
Focus group discussions	8 groups across the operational areas, with an urban–rural mix
Desk review	Programme documents, reports and national policy frameworks

Quantitative data were analysed descriptively and through regression; qualitative data were thematically coded and triangulated across sources. Standard ethical protocols were followed.

Key findings

FINDING 1 | RELEVANCE

The programme met real needs on both sides of the credit market

In a country where fewer than 15% of adults hold a bank account, and only about 7% of women, FIG Somalia addressed supply-side constraints (limited capital, weak institutional capacity, high perceived risk) and demand-side barriers (lack of collateral, low financial literacy, few tailored products) together.

Eighteen bespoke financial products were co-developed with the six MFIs, each designed for women, youth or producer groups. MFI records show that 89% of clients (13,995 of 15,725) were new to the partner MFIs, and 60% of surveyed clients were first-time borrowers.

> *"When I received the loan, I increased my stock and was able to buy in larger quantities. I no longer had to wait for months to save money before buying goods."*
>
> — Livestock trader, Hargeisa (focus group discussion)

FINDING 2 | COHERENCE

FIG Somalia was closely aligned with national and EU priorities

The programme was consistent with Somalia's Centennial Vision 2060, the National Development Plan 2020–2024, the National Transformation Plan 2025–2029, the Financial Institutions Law (2025), and the EU's Multi-Annual Indicative Programme 2021–2027.

FINDING 3 | EFFECTIVENESS

Outputs were delivered at or above target, and the three components worked as a package

Almost every output target was met or exceeded. MFI staff training reached more than twice the planned number, and €14.2 million in loans was guaranteed and disbursed against a target of €13.4 million, with the six MFIs matching the €3.4 million revolving loan fund one-to-one. End-client financial literacy coaching was the one shortfall, although it rose from 26% of target at mid-term to 78% at end-term.

Table 1. Performance against key programme targets

Indicator	Target	End-term	Achievement
Loan clients reached	16,000	15,725	98%
Value of loans guaranteed/disbursed	€13.4M	€14.2M	106%
Tailored financial products developed	18	18	100%
Coaching toolkits developed	12	12	100%
MFI staff trained	90	205	228%
MFI marketing fairs held	10	10	100%
End-clients trained in financial literacy	16,000	12,438	78%
MFIs copying or crowding in new products	6	5	83%

Source: FIG Somalia final evaluation (2026), programme monitoring data.

The components reinforced one another. The guarantee facility gave MFIs the confidence to lend to producer groups they would previously have turned down, while technical assistance sharpened credit processes: 63% of loans were processed within a week, 69% of clients repaid on time and only 1% defaulted.

> *"The partial guarantee fund was the main factor that encouraged us to lend to high-risk sectors."*
>
> — Senior manager, partner MFI (key informant interview)

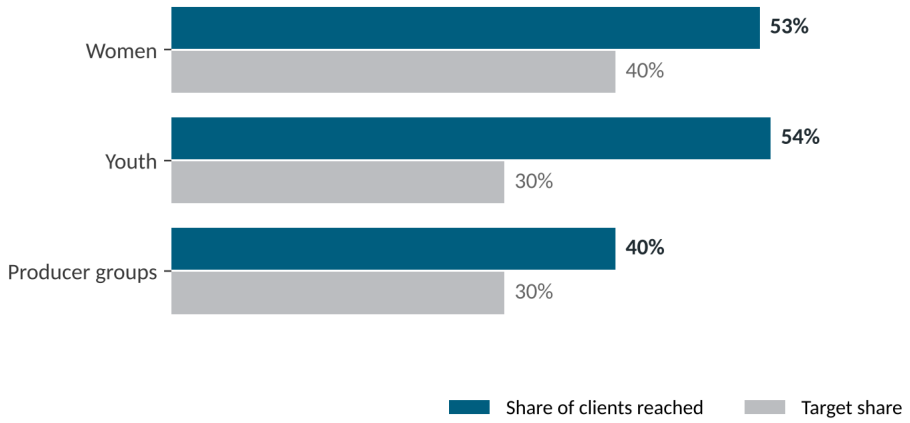
FINDING 4 | REACH AND INCLUSION

Reach was close to target, and every inclusion target was exceeded

The programme reached 15,725 clients, 98% of its target. Between the mid-term review and the end-term, the number of clients grew by 156%, and the value of loans disbursed grew by 117%. Lending reached all seven operational areas, led by Banadir (6,084 clients and 41% of loan value), followed by Somaliland, Puntland and Hirshabelle.

Targeting of priority groups went well beyond plan: women made up 53% of clients (target 40%), youth 54% (target 30%) and producer groups 40% (target 30%), with retail traders accounting for the remaining 60%. The average loan was about US$1,080. Women borrowed less on average than men (about US$980 against US$1,190), so they made up 53% of clients but 48% of loan value. By sector, trade accounted for 60% of clients, agriculture 30%, livestock 9% and fisheries 1%.

Figure 1. Share of clients from priority groups, against targets



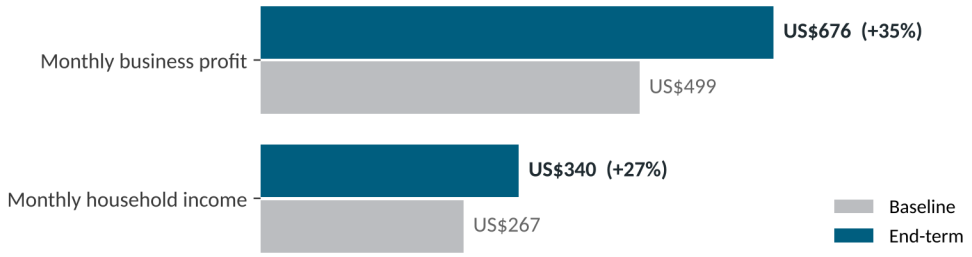
Source: FIG Somalia final evaluation (2026). Categories overlap: a client can be both a woman and a young person.

FINDING 5 | IMPACT

Clients earned more and employed more people

Average monthly business profit rose by 35% (from US$499 to US$676), monthly household income by 27% (from US$267 to US$340) and the value of business assets by 34% (from US$2,826 to US$3,721). These figures are based on beneficiaries' recall in the end-term survey, as the programme had no baseline survey.

Figure 2. Change in average monthly profit and household income



Source: FIG Somalia beneficiary survey (n=402).

Average full-time employees per enterprise rose from 1.12 to 1.81, a 62% increase. The evaluation estimates that 20,992 jobs were created in client businesses (survey averages of 0.69 additional full-time and 0.38 seasonal jobs per business suggest a lower figure of around 16,800), indirectly improving livelihoods for around 94,350 household members (assuming an average household of six).

> *"The loan improved my income because I used it to invest in goods. Now I have more profit than before, and I am more confident in planning the next steps."*
>
> — Business owner, Kismayo (focus group discussion)

FINDING 6 | SECTOR-LEVEL EFFECTS

Benefits reached beyond the loan book

84% of enterprises now keep written business records (80% at mid-term). Five of the six MFIs have copied or adopted the products developed under the programme, and FIG Somalia supported the creation of the Somalia Microfinance Association (SOMMA) as a platform for sector coordination, advocacy and engagement with regulators. Established in 2023 with FIG technical assistance, SOMMA now has 16 active member MFIs and published the first annual report on Somalia's microfinance sector in 2025.

What did not work

The evaluation identifies several weaknesses that any follow-on programme should address:

- **Short recycling period for the revolving fund.** The short programme extension meant loans could not be re-lent quickly, so capital sat idle between cycles and fewer businesses were reached.
- **Unmanaged currency risk.** Converting euro funding into US dollars for Somalia's dollarised market caused exchange losses that a hedging strategy could have avoided.
- **Urban concentration.** Insecurity and the cost of rural offices kept MFIs out of many rural areas.
- **Turnover.** Staff turnover at MFIs and frequent changes in key ministries disrupted delivery and partnerships.
- **Limited Learning.** A single learning event was held in 2025; the evaluation calls for more deliberate, regular learning.

Lessons and recommendations

1	**Scale up the proven MFI model** Extend the same package of revolving loan funds, partial guarantees, and technical assistance to additional MFIs, adding a sector advocacy component delivered through SOMMA to consolidate and sustain the gains of the pilot. Any scale-up should set out how support will taper: the evaluation did not test whether MFIs could sustain this lending on commercial terms, and it flags the risk that they revert to conservative lending once the guarantee ends.
2	**Keep risk-sharing, but right-size it** Make guarantee, first-loss or equivalent risk-sharing mechanisms a built-in design feature of any scale-up rather than an optional add-on. MFIs cited the guarantee as the main reason they lent to high-risk sectors. However, none of the roughly €1 million in guaranteed cover was ever claimed, and only 1% of borrowers defaulted, so future guarantees should be sized to actual risk, for example through a smaller first-loss tranche or an unfunded guarantee.
3	**Reach underserved areas differently** Counter the concentration of lending in major commercial centres (41% of loan value in Banadir) through agent-based outreach, mobile money and locally adapted operating models in underserved districts and productive corridors, with security-informed delivery arrangements. If rural reach is a programme objective, it will need an explicit incentive, such as cost-sharing for outreach, rather than being left to MFIs' commercial judgement.
4	**Test demand for other Sharia-compliant products** Almost all FIG lending used Murabaha financing, and other Islamic finance products may be less common and costlier to deliver. Before piloting alternatives, assess client demand and whether MFIs can offer them at reasonable cost, with product transparency, client protection and learning built in from the start.
5	**Strengthen monitoring and youth pathways** Upgrade MFI management information systems and AECF's programme dashboards to track rejected applications, portfolio at risk, restructuring, repayment and training delivery, and link young entrepreneurs to incubation and networking services so that access to credit translates into jobs.

THE OVERALL LESSON

Pairing affordable capital with risk-sharing and hands-on technical assistance can bring formal credit to women, youth and producers even in a fragile, low-banking market such as Somalia.

ABOUT AECF

The Africa Enterprise Challenge Fund (AECF) is a Pan-African development institution that finances early- and growth-stage businesses in agribusiness, renewable energy and climate-smart technologies. Combining grants, results-based and repayable finance with technical assistance, AECF helps enterprises innovate, create jobs and build resilient, sustainable incomes in rural and marginalised communities, with a particular focus on fragile contexts, women and youth.

Since 2008, AECF has supported more than 700 enterprises across 26 countries in Sub-Saharan Africa, reaching an estimated 37.4 million lives. AECF commissions independent evaluations of its programmes and publishes what it learns, including mixed results, so that evidence shapes future programming.

ABOUT THIS BRIEF

This brief summarises the independent final evaluation of the Finance for Inclusive Growth (FIG) Somalia programme (2026). The views expressed are those of the evaluators and do not necessarily reflect those of the European Union. The full evaluation report is available on request from AECF.

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