



CASE STUDY

INCREASING ACCESS TO SAVINGS AND LOANS FOR DISPLACEMENT-AFFECTED COMMUNITIES

A CASE STUDY FROM THE SOMALILAND DURABLE SOLUTIONS CONSORTIUM

The Somaliland Durable Solutions Consortium (SDSC), with funding from the [European Union's RE-INTEG Programme](#) running from 2017-2020, is supporting the (re)integration of IDPs and returnees in Burao and Hargeisa, through a multi-sectoral, area-based approach. The consortium is led by World Vision, in partnership with Taakulo Somaliland Community (TASCO), the Norwegian Refugee Council (NRC), the Danish Refugee Council (DRC), and Concern Worldwide (CWW). In order to strengthen household resilience, build social cohesion, and advance integration and reintegration, the SDSC has placed a strong focus on the economic empowerment of DACs. The SDSC is providing people with the skills to make savings, obtain loans, and learn new skills that will enable them to gain employment or start their own businesses. This case study focuses specifically on the SDSC's support to Self-Help Groups in DACs, provided by Concern Worldwide, TASCO, and World Vision.

CONTEXT

According to the Somaliland National Development Plan-II, less than 50% of Somaliland's population are in the labour force. In recent years, drought has gravely impacted upon agricultural and pastoral livelihoods, and the number of IDPs in Somaliland has increased dramatically. With the vast majority of newly displaced persons moving to urban areas, this has placed massive pressures on displacement-affected communities (DACs) in Hargeisa and Burao. A baseline assessment¹ conducted by the Somaliland Durable Solutions Consortium in 2017 found IDP household incomes to be considerably less than those of the host population. The proportion of IDPs who earn a monthly income of less than \$100 was considerably higher for IDPs (68%) than host community members (23%). Incomes are particularly low among those who have been more recently displaced, and who have lost assets due to drought.

ESTABLISHING AND SUPPORTING SELF-HELP GROUPS

In the context of the SDSC Programme, a self-help group (SHG) is a voluntary group of individuals who agree to unite and empower themselves by contributing savings on a monthly basis. These savings enable them to build sufficient capital to provide members with an opportunity to obtain loans. This approach has been used widely in Somaliland, and is seen as a low-cost model which grows organically and exponentially², while building the resilience and capacity of group members.

The SDSC has established 104 SHGs for women, with each group containing 10-20 members. In order to promote an area-based approach the SHGs are comprised of women from the host, returnee and IDP populations, including those recently displaced by drought. The SDSC mid-term evaluation found that less than 15% of SHG members had savings before the programme started³.

Cover Photo: Woman selling her products in Hargeisa market. Credit: DRC/DDG

¹ SDSC (2017). "Wadajir" - Enhancing Durable Solutions for the Reintegration of Displacement-affected Communities in Somaliland: Baseline Survey Report.

² Venton, C., Clarey, T., Calhoun, N., and Losleben, E. (2019). Self Help Groups and Resilience in Somalia: Supporting and Strengthening the SHG Ecosystem: Consultation Report

³ SDSC Mid-Term Evaluation, 2019.

After the SHG participants were selected, they were provided with a training that equipped them with the skills to participate in and manage the group effectively. Training topics included the SHG concept and principles, how to conduct meetings, conflict resolution, loan management, and business plan development. A focus was also placed on vision building: SDSC partners supported each SHG to develop goals and objectives, and they were given the skills to undertake regular self-assessments that gauge their performance and progress, and identify areas for improvement. Each SHG also developed a written plan which includes the agreed saving amounts per member, frequency of meetings, and rules and by-laws.

Once the training was completed, the SDSC partners facilitated the opening of a bank account for each SHG. After a period of around 8 months, a performance assessment was conducted, which examined participation in meetings, accumulated savings, and loans provided and recovered among other factors. The SHGs that were assessed to be performing effectively were then asked to submit a business plan, based on a market assessment they conducted in their communities. If a SHG's business plan was reliable and feasible a grant was provided; otherwise they were asked to revise and resubmit their plan. The SDSC partners regularly visit each SHG in order to review the progress made by each of the groups, discuss the progress of each income generating activity, and to provide advice and support on any other issues that may have arisen. 36 months after the establishment of the SHGs, geographical clusters of 10-15 groups will be formed to increase levels of financial discipline and accountability among the groups.

The establishment of the SHGs has led to the following positive changes for group members as well as more broadly for displacement-affected communities:

- Increased access to saving and loans;
- New income generating activities: access to loans and the grants provided have enabled group members to start new businesses, including grocery shops, butcher shops, and restaurants among others;
- Improved standard of living: group members have reported positive changes in their lives, including being able to send children to school, and being able to afford clothes and medicines; and
- Improved relations and collaboration among IDPs, returnees and host community members.

Access to a loan makes a big difference in a mother's life

Fadumo is mother of four children who lives at an IDP site in Burao. She is member of a SHG supported by World Vision. Fadumo borrowed some cash from the group savings and established a small business. She said

“ I borrowed 500,000 shillings (about \$50) from our group saving box and \$200 from the bank account in which the cash grant provided by World Vision is saved. I used this money to establish a small business producing mat brooms. I fabricate about 60-70 pieces of mat brooms each week and sell each piece for \$0.5 at the IDP site and Burao central market. I make a profit of about \$15-\$17 per week and I use this money to cover my family expenses including paying for school fees, food, medicine, cloths and shoes. Besides, I also save \$20 per month that is returned to the group account to clear the loan. I have good customers and I'm planning in the near future to increase the production to supply more customers in Burao city. ”

LESSONS LEARNED FOR FUTURE DURABLE SOLUTIONS PROGRAMMING

- **Access to savings and loans is a critical aspect of durable solutions:** Participation in SHGs has improved the ability of IDPs and returnees to integrate in displacement-affected communities, through improving their standard of living and increasing access to services.
- **The establishment of SHGs can build social cohesion:** In adopting an area-based approach, the SDSC formed SHGs comprised of IDPs, returnees, and host community members. Through working together collaboratively, group members were able to build relations across different population groups in DACs.
- **Support provided during the establishment of SHGs is critical to their future success:** Significant amounts of time need to be set aside for the processes of group formation, training, and the development of rules and regulations for each group.
- **The SHG model needs to be scaled up in programme locations:** Many individuals in programme locations would benefit from the SHG approach, and there is a clear need for investment in additional groups. Future programming should also focus on grouping SHGs together in a federated structure, as well as building linkages between SHGs and banks and micro-finance institutions.