

Bandhigga  
Guuleystayaasha  
Soomaaliyeed



THEME ↘

# Fintech in Somalia: Challenges, Opportunities & Future Prospects

A report on forum  
discussions, proceedings  
and outcomes

October  
2024



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## ABOUT THE REPORT

Somalia has made significant strides in embracing digital technologies, particularly in mobile money services. Progress has been driven by the resilience of the Somali people and private sector players who have played a crucial role in connecting communities and facilitating financial transactions.

This report summarises the outcomes of the Bandhigga Guulaystayaasha Soomaaliyeed (BGS) Forum, held in Mogadishu on October 17, 2024. The forum, organised annually by Hormuud Telecom, examined the role of financial technology (fintech) as a catalyst for economic transformation in Somalia. The report outlines the key discussions and takeaways from the forum, showcasing both the achievements and obstacles faced by Somalia's fintech sector, and offers valuable insights for stakeholders.

The report concludes with recommendations for businesses, investors, and policymakers to further develop the Somali fintech sector, such as investing in digital infrastructure, strengthening cybersecurity regulations, and promoting public-private partnerships.

An appendix is included with information on companies recognized for their contributions to advancing Somalia's fintech landscape, a detailed forum agenda and relevant photographs.



## About the author

Abdinor Dahir is the Managing Director of Taloford Consulting, a research and development consulting firm established in response to growing demand for professional advice on governance and social and economic change in Somalia. Previously, Abdinor was a Senior Advisor at the Ministry of Planning, Investment and Economic Development of the Federal Government of Somalia where he worked with the Office of the Minister and SOMINVEST Director to advance strategic investment flows to Somalia while ensuring effective coordination within the Ministry, other government institutions, and development and partner organisations. Trained at the University of Oxford, Abdinor's work addresses critical areas of political risk, governance, human rights, and private sector development, and he regularly shares insights on Somali and Horn of Africa issues at academic and policy conferences.

## Acknowledgments

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## EXECUTIVE SUMMARY

The forum united stakeholders to showcase innovative technologies, products, and services, highlighting Somalia's embrace of modern finance. Key insights underscored fintech's potential to boost financial inclusion, economic transparency, job creation, and government efficiency.

The discussions emphasized the importance of aligning fintech developments with Islamic finance principles, fostering practices that resonate with the cultural values of Somali society. The forum also identifies key challenges facing the sector, such as a fragmented regulatory framework, limited interoperability between platforms, cybersecurity threats, and a shortage of skilled professionals.

### Key Recommendations:

Encourage investments in mobile money platforms and secure payment gateways to improve transaction efficiency and build public trust.

Collaborate with government institutions to create regulations that support fintech innovation while protecting consumers. A dedicated task force for fintech regulation is recommended.

Develop strong cybersecurity policies to ensure transaction safety and boost consumer confidence.

Invest in training programs for Somali youth in technology, finance, and digital literacy to build a skilled workforce.

Design fintech solutions aligned with Islamic finance principles to increase consumer trust.

Encourage Public Private Partnerships to share resources and expertise in line with national economic goals.

Focus on expanding mobile money access in remote and underserved areas to increase financial inclusivity.

Develop clear legal frameworks for licensing, ensure interoperability between mobile money platforms, and strengthen fraud prevention and privacy safeguards.

Provide tax incentives for fintech startups, establish metrics to measure fintech impact on financial inclusion, and conduct public awareness campaigns to promote digital financial adoption.

## INTRODUCTION

The rapid evolution of financial technology (fintech) has dramatically reshaped the economic landscape in Somalia, offering novel solutions to longstanding challenges and opening new pathways for economic growth. Since the collapse of centralized financial systems in 1991, Somalia has faced significant challenges in financial inclusion and economic stability, further exacerbated by the devaluation of its currency and uncontrolled money printing in the late 2000s. Traditional banking infrastructure remains limited, with only about 15% of the population holding a bank account, leaving the majority financially excluded and reliant on informal channels.

In response, digital financial services have emerged as a critical tool for enhancing financial inclusion, with the first mobile money service, ZAAD, launched by Hormuud Telecommunications in 2009, and later rebranded as EVC Plus. Today, fintech has evolved rapidly, with numerous companies like EVC Plus, Jeeb, E-Dahab, and SAHAL offering mobile money services that are widely accessible even in remote areas. E-wallets and mobile payment apps have grown, positioning Fintech as a transformative force in Somalia's economic development.

Somalia's fintech sector faces key challenges that threaten its growth and impact. The industry requires a stronger regulatory framework to ensure consumer protection and data privacy. Limited platform interoperability restricts seamless transactions, affecting financial access in rural areas. Cybersecurity threats pose risks too, emphasizing the need for robust security and educating users on the risks. Additionally, a shortage of skilled professionals in tech and finance hinders sectoral growth, necessitating investment in education and training. Addressing these issues is essential for Somalia to realize fintech's potential in promoting economic inclusion and development. Equally important is collaboration between the government, the private sector, and educational institutions to foster a thriving ecosystem in Somalia.

Bandhigga Guulaystayaasha Soomaaliyeed (BGS) is an annual forum for discussion of Somalia's business challenges and aspirations organized by Hormuud Telecom, Somalia's premier telecommunications company. The forum brings together leaders from business, government, academia, and development actors to explore avenues for enhancing Somalia's private sector development and identify options for collaboration, innovation, and growth in the economic sectors that hold immense promise for the country.



*HE Prime Minister Hamza Abdi reaffirms the government's commitment to secure digital governance, with plans to introduce regulations on data protection, cybersecurity, and digital payments, alongside expanding the digital ID program.*





## KEYNOTE ADDRESSES





## KEYNOTE ADDRESSES

The BGS24 Forum keynote speakers emphasised the transformative potential of technology, particularly fintech, in advancing Somalia's economy and financial inclusion. They stressed the role of Islamic finance principles, public-private partnerships, and government support in building a resilient fintech sector.



Prominent Somali scholar Sheikh Abdi Hayi Sheikh Adam, who opened the forum, highlighted Islam's view of wealth as a collective resource. He linked this principle to fintech's capacity to drive economic growth for the common good in Somalia.



*Mr. Ahmed Mohamud Yusuf, CEO of Hormuud Telecom, delivered welcoming remarks at the BGS Forum.*

Ahmed Mohamud Yusuf, CEO of Hormuud Telecom, welcomed participants, noting that BGS is a forum where businesspeople, experts, scholars and academic institutions come together to promote the country's economy and trade. Yusuf highlighted Hormuud Telecom's global success, emphasizing its crucial role in keeping the Somali community. He noted Hormuud's worldwide recognition worldwide for its efforts in bridging the digital divide, despite the challenging operating context. He introduced the fintech theme, highlighting how Hormuud and other Somali telcos have taken strides forwards, positioning themselves as African leaders.



*Mr. Mahmoud Abdikarin, Chairman of the Somali Chamber of Commerce & Industry,*

Mahmoud Abdikarin, Chairman of the Somali Chamber of Commerce & Industry, underscored the value of research in addressing challenges and opportunities within the fintech sector, and underscored the importance of applying these findings to address issues in the fintech sector. He praised the private sector's contributions to social causes, and went on to outline the responsibilities of the Somali Chamber of Commerce, emphasizing its commitment to community development and trade.



*MP. Mohamed Adam Moalim Ali, Minister of Telecommunication and Technology, officially opened the BGS 2024 conference*

Honourable Mohamed Adam Moalim Ali, MP and Somalia's Minister of Communications and Technology, highlighted Somalia's rapid technological advancement, particularly in telecommunications. He noted that the country is ahead of many African nations largely due to the dedication of Somali people and the private sector.

Minister Ali emphasized that the new opportunities that technology has opened up. For example, the transition from manual processes to digital systems will foster more secure business collaborations and help reduce fraud - the Somali government has moved 14 services from manual to digital systems. He underscored technology's role in job creation and economic growth, pointing to Nigeria as an example, where technology revenue has now surpassed oil revenue.

Batulo Ahmed Gabale, Chairperson of the National Women's Organization of Somalia, celebrated the achievements of Somali fintech innovators. She commended private companies for connecting Somalis to the global community and shared a personal experience with the Waafi service, showcasing its reliability in connecting Somalia with the rest of the world.



*Batulo Ahmed Gabale, Chairperson of the National Women's Organization of Somalia, highlighted the importance of the forum.*

Jawahir Mohamud Jama, Chairperson of the Banadir Regional Women's Organization, urged national leaders and the Somali people to acknowledge the importance of Hormuud's services, highlighting their contributions to the community, job creation, and fostering trust among Somalis. Jama also acknowledged Hormuud's charitable efforts, such as during the COVID-19 pandemic, emphasising their positive impact.



# Caqabadaha Furci ee Fintech a kulanto maaliya



Moderator  
Naima Abdulrahman



Dr. Ali Yassin,  
Deputy Governor,  
CBS, Somalia



Saed  
Chief



Dr. Abdulkadir Ismail,  
DG of SBA



Yasin M. Ibar,  
CEO of SBA



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Fursadaha

anta Dhaqaale



Caqabadaha

ahanka Mustaqbalka

## PANEL DISCUSSION



## PANEL DISCUSSION

The panel discussions centred on challenges and opportunities within Somalia's burgeoning fintech sector. Various business leaders, field experts and government officials participated.



*A panel discussion examining the legal challenges facing financial technology in Somalia*

**Mustaf A. Musse, Deputy CEO of Yiksi**, highlighted significant barriers facing Somali SMEs in the fintech sector, citing Somalia's low global ranking in business creation as reported by the World Bank. He attributed these challenges to limited public and private investment, high costs, and a complex regulatory framework. Musse noted additional fintech-specific hurdles: low awareness among local entrepreneurs, unclear regulatory guidance, and a lack of crucial financing, all of which hinder growth and innovation in the sector.

**Dr. Ali Yasin Sheikh, Deputy Governor of the Central Bank of Somalia**, outlined recent regulatory advancements to support fintech and broader financial reforms. He noted revisions to key legislation, including the Financial, Payment Systems, and Insurance Acts currently awaiting parliamentary approval. Dr. Yasin highlighted the introduction of a regulatory "sandbox" to foster innovation, allowing certain fintech firms to operate with flexible requirements. Currently, some banks and mobile money providers use this framework for an initial two-year growth period. He acknowledged around 10 new financial laws have been enacted - significant regulatory progress.



Abdiaziz Duane Isak, Director General at Somalia's Ministry of Communications and Technology, discussed the harmonization of laws between the federal government and regional states. He stated that "the mandate of the Ministry is to regulate and establish laws related to communication and technology", noting that the Ministry has already drafted several laws to advance this mandate, including the Digital Economy Law. Abdiaziz underscored the federal government's authority in overseeing and enforcing these laws: "The government is the protector, creator, and enforcer of these laws." He clarified that all regional laws must align with those established by the federal government. To reassure stakeholders, he concluded, "As of now, there are no conflicting laws; the federal laws are the ones being followed."

Yasin M. Ibar, CEO of the Somali Bankers Association, noted that banks are driving fintech growth through their own digital applications. However, several challenges persist, including limited licensing options, registration hurdles, and insufficient inter-agency collaboration, which stifle fintech expansion. Additionally, the underdeveloped National ID system complicates identity verification, while government-imposed deposit caps restrict mobile wallet use. Ibar argued that these restrictions should be eased for eligible users. Despite fintech's growth, he stressed that government support has lagged, hindering the sector's full potential.

He also pointed out that banks often face conflicting demands from different authorities; for instance, while one institution, like the financial reporting authority, may request

information, another, such as the court, may direct banks not to disclose it. This inconsistency creates operational confusion for financial institutions. He identified the lack of specific laws and regulations for fintech as a barrier to growth for both banks and fintech innovators, limiting the potential for innovation. To address these issues, Ibar underscored the need for well-defined institutional roles, to foster a more cohesive and supportive environment for the financial sector's development.

Dr. Saed Ali Mohamed, Chief of the Appeal Court, outlined Somalia's recent efforts to safeguard citizens' personal data and individual rights, such as enacting the Personal Data Protection Law in March 2023 which shields citizens' data from misuse, with Article 3 underscoring the shared responsibility of the government and financial institutions to protect this data. He stressed the importance of public awareness campaigns to alert citizens to the risks associated with easy access to personal data.

Companies are responsible for robust storage systems, he noted, and must provide clear steps for customers if they face data-related issues. He also pointed out that citizens have the right to access their data under Article 27 of the Constitution and Article 14 of the Data Protection Law, ensuring easy access when needed. Finally, Dr. Mohamed addressed illegal financial activities, emphasizing the role of data protection laws in tracking suspicious transactions. Article 14 of the Data Protection Law allows institutions to request customer data to combat such activities.

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# Teknolojiyadda Maaliyadeed ee Soomaaliya

Weynata Dhaqaale

Maamulka Mustaqbalka

**PAPER**



**PRESENTATIONS**

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## PAPER PRESENTATIONS

During the forum, presentations by industry experts and researchers presented the findings of recently conducted studies on the theme of the conference. This section summarises the research presentations.



*Eng. Abdillahi Bihi, Managing Director of Somali Payment Switch, delivered a presentation on the future of fintech payments in Somalia at BGS24*

## Regulatory frameworks in Somali fintech

### Economic impact of fintech in Somalia

Dr. Shafie Sharif Mohamed, Director of the Somali Researchers Association, highlighted fintech's transformative effects, especially since 1991. Hormuud Telecom's ZAAD (now EVC Plus) pioneered financial access for Somalia's largely unbanked population, enabling over a billion transactions yearly worth \$10 billion. Fintech has boosted financial inclusion, supported SMEs, streamlined government services, and improved tax collection, potentially raising Somalia's GDP by 20%. Today, about 15 fintech companies, primarily in Mogadishu, serve 12 million users. Despite growth, challenges remain, including a shortage of skilled talent and high salary expectations, which complicate further sector development.



## Future of fintech payments

Abdullahi Bihi Hussein, Managing Director of Somali Payment Switch, discussed Somalia's evolving payments ecosystem, culminating in the Somali Instant Payment System (SIPS), scheduled for launch in December 2024. SIPS aims to provide secure, inclusive, and interoperable payments across providers, enabling real-time transactions through ISO20022 and SOMQR standards. Somalia's payments system has evolved from manual remittances in the 1990s (Payments 1.0) to today's e-money wallets (Payments 4.0), yet challenges persist, including limited interoperability, closed APIs, and security compliance. These issues present opportunities for growth, including improved infrastructure and regional integration. The vision for Somalia's payment sector is seamless, interoperable, and globally connected payments across banks, e-wallets, and mobile money platforms, providing a fertile ground for fintech innovation.

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بنك سلام الصومالي  
SALAAM SOMALI BANK



## EXHIBITIONS & PARTNERSHIPS



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## EXHIBITIONS AND PARTNERSHIPS

The forum highlighted a diverse exhibition of new products and services to optimise daily life and business, and innovative new apps were introduced.

### RIKAAB

Rikaab, described as Mogadishu's only super app, offers a range of on-demand services, including rides, food delivery, quick deliveries, and e-commerce, creating a convenient, all-in-one platform for daily needs. It has E-Murabaha, an Islamic financing structure in which the seller and buyer agree to the cost and markup of an asset, integrating Islamic financial principles into fintech.



Yiksi is a gateway to cryptocurrency - a significant step toward digital finance integration.



Waafi simplifies daily interactions using technology, reshaping everyday life for Somalis.



E-dir provides a streamlined money transfer service, enabling quick, easy, and secure transactions between mobile wallets.



*FinTech companies and banks exhibited their latest financial technology products and services.*

A number of financial institutions featured their services, demonstrating their adoption of cutting-edge technology.



Mybank - the only Somali-based bank capable of transferring money to all other local banks using modern technology, was among the most notable participants. Premier Bank, Amal Bank, and Salaam Somali Bank also showcased their modern banking technologies, with Salaam Somali Bank being highlighted as a pioneer.



In the insurance sector, Amana Insurance introduced its tech-driven services, focusing on smart applications to meet the needs of Somali citizens. Amana is the only insurance company in Somalia with a fintech app.

The forum also resulted in strategic partnerships between financial institutions and technology companies. Key organizations signed partnership agreements to enhance interoperability and improve service delivery, and a key partnership was launched between Hormuud Telecom, Mybank and Agro Bank which integrates EVC Plus mobile money with the respective banking platforms - streamlining financial services and enhancing accessibility for users.



*Hormuud Telecom and Agrobank signed an agreement that enables the interoperability of Waafi and Agrobank, allowing Agrobank customers to manage their accounts through the Waafi app.*



*Hormuud Telecom and MyBank also entered into a partnership agreement, facilitating the interoperability between Waafi and MyBank, which will enable MyBank customers to manage their accounts via the Waafi platform.*



## Lucky draw Program

The forum also included a lively lucky draw program, giving participants the chance to win exciting prizes such as smartphones, smart TVs, internet packages, and bank cards!



*Luck draw rewarded attendees with practical fintech and connectivity tools that underscore the forum's focus on digital innovation.*

## Awardees Program

At the forum, 11 leading fintech companies and banks were recognized for their contributions to Somalia's fintech landscape. These awards, presented by Prime Minister Hamza Abdi Barre, Hormuud Telecom CEO Ahmed Yusuf, and Central Bank Deputy Governor Dr. Ali Yasin Sheikh, celebrated the progress made in promoting digital financial services and financial inclusion across the country. The winners have played a pivotal role in expanding access to financial services, supporting business growth, and fostering innovation within Somalia's fintech sector.



*The Forum recognised 11 FinTech companies in Somalia.*

## CLOSING SPEECH BY THE PRIME MINISTER

Prime Minister Hamza Abdi Barre's speech was marked with national pride at the growth, and progress unlocked through the adoption of technology into Somalia's economy and governance. He acknowledged the private sector's pivotal role in this transformation, celebrating their efforts as cornerstone of the Somali fintech landscape which is transforming daily life, empowering citizens, and supporting governance in Somalia.



*HE Hamze Abdi Barre, the Prime of Somalia, officially closed the Forum.*

The Prime Minister highlighted Hormuud Telecom's contributions to the Somali economy, especially through EVC Plus, the innovative mobile banking solution that has become integral to financial transactions. Putting the benefits of mobile money into perspective, he shared a story about the dangers of handling cash in Somalia's past.

The ways technology, particularly mobile banking, has addressed issues like corruption, inefficiency, and transparency in government processes was highlighted. Mobile money, by replacing cash handling, has minimized corruption and streamlined public salary payments, even for the soldiers stationed far from urban centers. This marks a significant improvement for civil servants and ordinary citizens' quality of life, reducing the risks associated with cash.

Barre outlined the Somali government's commitment to fostering a secure technological landscape, acknowledging the importance of digital governance as the country prepares to roll out regulations on data protection, cybersecurity, and digital payments, whilst expanding the digital ID rollout. These steps are emblematic of Somalia's efforts to solidify legal frameworks that safeguard technological advancements while promoting a digital economy.

Barre shared his vision for a Somalia where technology propels goes beyond economic development, and addresses social challenges, including poverty and unemployment. He praised Hormuud's contributions across various sectors, emphasizing public-private collaboration as the key to Somalia's sustainable future.



## DISCUSSION AND ANALYSIS OF THE OUTCOME

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The outcomes of the forum reflect a growing recognition of fintech's potential to drive economic growth in Somalia, alongside the urgent need to address existing challenges.



700 individuals registering to attend with a check-in rate of approximately 65.7%.



64% and 36% of attendees aged 20-30 and 30-40 years respectively, indicating a balanced representation of both younger and slightly more experienced participants.



83% of the attendees were male compared to only 17% female.



51% of the attendees represented the technology sector, 34% from the financial sector while 15% represented other sectors.



80 private and government officials, including 6 females, attended as speakers, panellists and participants.



## The State of Fintech in Somalia

The fintech sector in Somalia is at a critical juncture, emerging as a transformative force in the country's economic landscape. Following years of instability and the collapse of traditional banking systems, the introduction of digital financial solutions has offered a much-needed lifeline. The rapid advancement of digital financial systems has led to more efficient and transparent transactions, fundamentally reshaping how businesses and consumers interact.

Forum speakers emphasized that the shift from manual to digital processes not only streamlines operations but also fosters trust among stakeholders. The burgeoning mobile money landscape, characterized by the popularity of platforms like EVC Plus and Jeeb, indicates a shift towards modern financial infrastructure, integrating Somalia into the global economy. However, the sector grapples with low financial inclusion. Traditional banking access remains limited – approximately only 15% of the population are banked. The gap presents an urgent need for fintech solutions that bridge the digital divide – catering to underserved populations, including those in remote areas where banking infrastructure is virtually non-existent.



In Somalia, a variety of telecommunication companies offer mobile money services, including EVC Plus, Jeeb, E-Dahab, ZAAD, SAHAL, MyCash, and E-basa. Currently, there are seven contactless e-wallets available for smartphones, offering secure app-based payment services.



## FinTech Promises and Pitfalls

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The forum's outcomes highlighted several key innovations and solutions that could supercharge growth for Somalia's blossoming fintech sector. One of the primary themes was the advancement of digital financial systems, which emerged as a transformative tool for Somalia's economic landscape. With manual processes often being cumbersome and prone to inefficiencies, the introduction of digital systems was seen as a solution to enhance the transparency and speed of financial transactions. This idea resonated strongly during the discussions, as speakers and panelists alike emphasized that digitization would streamline operations and increase consumer trust. The transition to digital financial platforms was hailed as an important step for Somalia's financial infrastructure as it modernises and find its place in the world economy.

Several speakers pointed out that Somalia, with its unique challenges, including limited access to traditional banking systems, stands to benefit enormously from mobile banking and digital financial services. Fintech is an essential means of bringing vital financial services, such as the ever-popular mobile money platforms, to remote and rural areas, allowing individuals who may not have access to physical bank branches to participate in the economy.

The integration of Islamic finance principles, such as profit-sharing and risk-mitigation, into the fintech sector represents a cultural and economic necessity, and a route to building consumer trust. Islamic finance's emphasis on ethical investment and equitable wealth distribution was a key theme.

Collaboration between the private sector and government was also a recurring theme. Private companies, particularly in telecommunications and fintech, are crucial drivers of Somalia's economic development. However, for their efforts to be fully effective, government support and regulatory frameworks are essential. Private-public partnerships were also highly recommended to ensure that innovations in fintech can be scaled up and widely implemented.

### The State of fintech in Somalia

#### Regulations

- ▶ National Data Protection Act (2023)
- ▶ National Payment System (2021)
- ▶ Cybersecurity Regulations (2021)
- ▶ Mobile Money Regulations (2019)

## Promises

- Fintech is a multidisciplinary field that attracts a wide range of professionals, including finance experts, developers, designers, accountants, marketers, managers, and more.
- Currently, an estimated 7,000 to 10,000 individuals are employed in the sector. Experts predict that the industry's growth will generate an additional 15% to 20% Fintech jobs between 2025 to 2027.
- In the long term, fintech has the potential to become a key solution for unemployed youth and contribute significantly to Somalia's economic development and financial inclusion.

## Pitfalls

- ↳ Insufficient understanding and awareness among businesspeople and the public of FinTech's role in economic development.
- ↳ Limited interoperability between mobile money platforms.
- ↳ Lack of a clear legal and regulatory framework concerning licenses and approval process for fintech products.
- ↳ Underinvestment stalls the growth and development of tech companies in Somalia.
- ↳ Vulnerability of users to fraud and privacy violations due to an absence of protective infrastructure.
- ↳ Poor enforcement of existing regulations and lack of infrastructure and capacity for fintech oversight.



Another key takeaway was the need to address cybersecurity and data protection within Somalia's evolving fintech landscape. As Somalia continues to digitize its financial systems, ensuring the safety and security of digital transactions was recognized as paramount. Panelists called for the establishment of stronger regulations and security measures to protect users and businesses from potential cyber threats.

The importance of education and capacity building was also highlighted. A recurring point in the discussions was that for fintech to thrive, the country must invest in training and educating its workforce, particularly in the fields of technology, finance, and digital literacy.

## Operational Issues

- ↳ Lack of adequate industry consultations. Regulatory frameworks are often externally driven without modifications to fit the specific needs and circumstances of the Somali financial sector, leading to significant difficulties in both compliance and enforcement.
- ↳ Inconsistencies between English and Somali translations create confusion in regulatory interpretation.
- ↳ Multiple government institutions requesting information leads to inefficiencies and confusion, occasionally resulting in the closure of customer accounts without legal justification.
- ↳ Regulations require a national ID for identification, but the Somalia ID system is not fully functional, complicating compliance with Know Your Customer (KYC) requirements due to multiple identities held by individuals.
- ↳ Business licenses are granted to entities without physical locations, complicating KYC compliance.
- ↳ The federal structure results in inconsistent regulations, as central government laws differ from those implemented by federal states, leading to challenges such as multiple IDs/licenses issued by different authorities.

These challenges must be mitigated to allow Somalia's fintech companies to operate efficiently and securely.

## Virtual Assets

The global accessibility of virtual asset markets has led to cases where Somali citizens were scammed or drawn into gambling activities. The lack of specific regulations for virtual assets in Somalia has prompted the Central Bank to raise public awareness of these risks. According to Dr. Yasin, Deputy Governor of Somalia Central Bank, while some knowledgeable individuals have benefited from these markets, others, lacking a thorough understanding, have incurred significant financial losses. Dr. Yasin emphasized the Central Bank's responsibility to protect Somali citizens by educating them about the potential risks associated with virtual assets, guided by consultations with various community stakeholders, including business owners and religious leaders, who voiced concerns about these markets.

However, overly restrictive financial laws could impede economic progress. Therefore, the fintech sector regulators should carefully examine proposed regulations to ensure they do not stifle development opportunities. Addressing the specific issue of gambling, Dr. Yasin mentioned an app called "1xbet," widely used for gambling, with many crimes linked to its use. The anti-money laundering and criminal activity authority banned the app, and legislation was enacted to prohibit its use, reflecting the Central Bank's commitment to mitigating risks around unregulated virtual asset activities.

Gambling is a serious issue with economic impact, particularly for those with low incomes. According to Saed Ali Mohamed, Chief of the Appeal Court, while the country does not have specific laws related to digital matters, the Penal Code prohibits various forms of gambling, and this law applies to such cases. Regarding the government's stance on gambling advertisements, Abdiaziz Duane Isak, Director of Somalia's Ministry of Communications and Technology, emphasized that the government's responsibility, and the National Communications Authority's regulatory role. Isak pointed out that a law addressing these matters has already been enacted. He noted that while some believe companies have permits to operate gambling apps, it is, in fact, the NCA that regulates these activities.



## The Role of the Central Bank

The forum discussed the role of the Central Bank as the lead national institution responsible for regulating the fintech sector in Somalia. Banks, institutions, and remittance companies have been consulted consistently on regulatory frameworks at the development phase to ensure that key stakeholders are well-informed about Central Bank regulations.

The CBS regulations are designed to align with market needs and support economic growth, incorporating about 90% of stakeholder feedback. In the rare cases where stakeholder-created regulations overlook customer interests, the government intervenes to ensure balance.

Limits on money transfers are mainly for security. If people understood these security-related reasons, complaints would decrease. For those needing to deposit large sums, opening a business or merchant account is recommended, aligning with global practices where unrestricted financial transactions are rare. These limits help manage risks, trace laundered or illicit funds, and reduce terrorist financing.

The government, after consulting stakeholders, introduced the financial restrictions from June 2022 to July 2023, setting up layers of rules to manage financial activities. Users with verified KYC (Know Your Customer) status enjoy more flexibility, particularly regarding transaction limits.

On the National ID system, a partnership has been made between the National Identification and Registration Authority and the Central Bank to prioritize economic actors' registration. This collaboration ensures that banks gain early access to the National ID system, which is crucial for enhancing Somalia's international economic ties.

The national ID authority has been formally established, the necessary laws are in place, and agreements have been signed to strengthen the financial sector through improved identification.

## RECOMMENDATIONS

The BGS24 Forum highlighted the significant potential of the Somali fintech sector and identified key areas for development, producing recommendations on how to harness the true potential of the sector for economic growth and social benefit.

### Investment in Digital Infrastructure:

Investors should prioritise digital infrastructure, such as mobile money platforms and secure payment gateways to improve transaction efficiency and build public trust in fintech

### Supportive Regulatory Frameworks:

- Businesses should collaborate with government institutions to develop supportive regulatory frameworks that facilitate growth while protecting consumers.
- A specific recommendation is to create a dedicated task force to develop comprehensive fintech regulations.

### Cybersecurity and Data Protection:

- Policymakers must establish fortified regulations and frameworks to protect against threats.
- Ensuring the safety and security of digital transactions is key to consumer confidence.

### Education and Capacity Building:

Investment in education and training for the Somali workforce is crucial, particularly in technology, finance, and digital literacy – potentially through partnerships between businesses and educational institutions.

### Integration of Islamic Finance:

Investors and fintech companies should consider integrating Islamic finance principles into their operations to boost trust among consumers, in Somalia's predominantly Muslim society.

### ↘ **Public-Private Partnerships:**

The government should actively promote public-private partnerships (PPPs) aligned with national economic goals to facilitate resource and expertise sharing.

### ↘ **Financial Inclusion:**

The forum emphasised fintech's role in promoting financial inclusion for underserved and marginalised populations, which starts with improving accessibility of mobile money platforms for rural communities.

### ↘ **Addressing Specific Challenges:**

- Develop a clear legal and regulatory framework for licensing and approval processes for fintech products.
- Address the lack of interoperability between mobile money platforms.
- Implement measures to mitigate fraud and privacy violations, including awareness campaigns and robust security infrastructure.
- Strengthen the enforcement of existing regulations and develop the capacity for effective fintech oversight.

### ↘ **Further Recommendations:**

- Implement tax incentives and grants for fintech startups to stimulate entrepreneurship.
- Establish metrics for evaluating the impact of fintech innovations on financial inclusion and economic growth, allowing for data-driven adjustments to strategies.
- Conduct public awareness campaigns about digital financial services to drive adoption.



These recommendations highlight the multifaceted approach needed to cultivate a thriving fintech sector in Somalia. Collaboration between the government, private sector, and educational institutions is essential.

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## CONCLUSION

The forum spotlighted fintech's transformative potential to drive financial inclusion and economic growth in Somalia, unlocking opportunities for millions, particularly in underserved rural communities. Mobile banking could be a game-changer, bringing credit, savings, and digital transactions to those previously excluded from formal finance.

Yet, this promise faces steep challenges. Cybersecurity threats loom large, demanding robust regulatory safeguards to protect users and build trust in digital services. Equally pressing is the shortage of skilled talent – without a workforce equipped for fintech's demands, the sector's growth will stall.

Embracing Islamic finance principles offers a unique way to bridge cultural relevance and innovation, aligning fintech solutions with Somalia's values of ethical investment and fair wealth distribution. But making this vision a reality calls for bold public-private collaboration and a regulatory environment that nurtures innovation.

Somalia must create an investment-friendly climate that fuels startups and ignites an entrepreneurial ecosystem. With the right policies, Somalia's fintech sector could capture foreign investment, create thousands of jobs, and emerge as a fintech leader in East Africa. Success stories from across the continent set an example for how, with strategic investments and forward-thinking policies, Somalia could rise as a powerhouse of digital innovation.



## APPENDIXES

Awardees: The following fintech companies and banks were recognized for their contributions to advancing Somalia's financial technology landscape.





## Event Program

Time ↘

Agenda ↘

08:00 - 09:00

**Registration and Reception**

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09:00 - 09:05

**Event Introduction & Housekeeping Rules**

**MCs: Naima Moalim & Zakariya Abdulrahman**

09:05 - 09:10

**Opening with Quran Recitation**

**Zakariya Mohamed Abduljabar**

09:10 - 09:20

**Words of the Sheikh**

**Sheikh Abdi-Hayi Sheikh Adam**, Somali Scholar

09:20 - 09:30

**Welcoming Remarks**

**Ahmed Mohamud Yusuf**, CEO, Hormuud Telecom

09:30 - 09:40

**Documentry I: The Evolution of The Fintech Sector in Somalia**

09:40 - 09:50

**An Honorary Speech**

**Mahmoud Abdikarin**, Chairman of the Somali Chamber of Commerce & Industry

09:50 - 10:00

**Opening Remarks**

**MP. Mohamed Adam Moalim Ali**, Minister of Communications and Technology, Somalia

10:00 - 10:20

**Paper Presentation I**

Regulatory Frameworks Surrounding Somali Fintech, **Abdisalan Warsame**, Head of Research, the 7 Institute

10:20 - 11:20

**Panel Discussion I:**

Legal And Regulatory Challenges of Fintech in Somalia

## Time ↘

## Agenda ↘

11:20 - 12:20

### Lucky Draw and Rewards

12:20 - 13:20

### Prayer, Lunch and Exhibition Visits

13:20 - 13:40

### Paper Presentation II:

Economic Impact of Fintech Innovation in Somalia  
**Dr. Shafie Sharif Mohamed**, Director, SRA

13:40 - 14:20

### Panel Discussion II

Role of Fintech in Somalia's Economic Development

14:20 - 14:35

### Keynote Speech

The Future of Fintech in Somalia  
**Abdullahi Bihi**, Director, SPS

14:35 - 14:45

### Documentary II

The Role of Hormuud Telecom in the Development of Somalia's Fintech Sector

14:45 - 15:10

### Partnership Signings

15:10 - 15:30

### Recognition and Awarding of the Somali Fintech Firms and Startups

15:30 - 15:35

### Communiqué

**Hassan Dahir**, Event Director

15:35 - 15:50

### Closing Remarks

**Hamza Abdi Barre**, Prime Minister of Somalia











