



Feed the Future Country Fact Sheet

Online Version: <https://www.feedthefuture.gov/article/better-loans-greater-resilience-benefit-6000-households>

Better Loans, Greater Resilience to Benefit up to 6,000 Households



Mercy Corps

Animals changing hands as a result of marubaha loans.

Middle Eastern markets have the potential to become lucrative for livestock producers and traders in Ethiopia's Somali Region. In seizing this opportunity, however, they face several barriers—namely a shortage of cash and a lack of access to financial services that are culturally appropriate in the Middle East. These barriers have done more than reduce income from livestock sales; they have also reduced resilience in the region.

Recognizing these damaging consequences, PRIME (Pastoralist Areas Resilience Improvement through Market Expansion) is helping to ease entry into Middle Eastern markets. This USAID activity, funded through Feed the Future, is improving access to appropriate financial services for livestock traders, who play a critical role in connecting livestock producers to these markets. As part of this effort, PRIME supported the development and piloting of a financing product for livestock traders, which was rolled out in the Somali Region in April 2015.

A key strength of this customized product, developed and provided by the Somali Micro Finance Institution, is that it's a Murabaha product. Murabaha is a loan that comports with Muslim beliefs because it's technically interest free. That means livestock traders in the Somali Region can use it to gain more working capital, which they can then use to buy more animals from USAID beneficiaries. The institution has already disbursed about \$230,000 to 23 livestock traders, who are expected to sell a combined 15,000 to 19,000 small livestock annually. The financing will benefit an estimated 5,000 to 6,000 households.

USAID is now helping the Somali Micro Finance Institution to improve its existing Murabaha product, monitor its loan portfolio in accordance with micro-finance institute best practices, and learn from this pilot financing product. These enhancements, complemented by improvements in the skills of institution staff to market the product to livestock traders, will better enable the institution to offer the new product continually, without USAID assistance.

Appropriate financing products for livestock traders in general will increase the volume of livestock sold to local and international markets, benefiting not only those involved with the livestock market, but also pastoralist and agro-pastoralist households.