Fintech & Digital Economy
The Ethiopian Perspective
Fintech, which stands for Financial Technology, is the technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. It has become a force that has disrupted Africa’s financial industries by emerging as an industry that is promoting financial inclusion, fostering an atmosphere of innovation and creativity, securing efficiency gains in financial transactions, and overall, considerably simplifying the lives of millions of Africans.

Sub-Saharan Africa has proven to lead the rest of the world in the adoption and use of fintech enabled services, notably via mobile money. More specifically, the East African region has become an international leader in the promotion, adoption, and utilization of financial technology as most fintech solution providers in the region find inspiration from the necessities of day-to-day life, rather than from sheer desire. Innovative solutions that leverage fintech platforms are on the rise and paving the way for tech-enabled services in sectors as diverse as agriculture, hospitality, transportation, and many more.

As the chart to the right shows, Kenya is playing an exemplary role with respect to the use of mobile money where the country’s own crown jewel, M-Pesa, a mobile banking service that allows users to store and transfer money through their mobile phones, has dared become the best virtual payment solution in the country, serving as inspiration for the rest of the region to slowly follow suit.

Ethiopia, a primary case study in this report, remains to be a country with a singular dependency in cash-only transfers, as the chart clearly illustrates. However, important driving factors of fintech adoption are already prevalent in the country, some of which are the demographic trends as the second most populous nation in SSA, drastic reforms taking place in the telecommunications space, and weak financial inclusion. With a new government seemingly determined to transform the digital profile of the country by taking important policy measures, the case for a technology-led growth, a leapfrogging imperative, is surely on the horizon. The report has been produced to cover Ethiopia’s prospect in fintech, as well as its efforts towards the development of a complimentary digital economy.
Ethiopia’s Economic Standing

**Real GDP Growth %**
(pre-COVID19 data)

- 2012: 8.7%
- 2013: 8.8%
- 2014: 9.1%
- 2015: 10.3%
- 2016: 10.4%
- 2017: 9.8%
- 2018: 8.9%
- 2019: 8.1%
- 2020: 7.3%
- 2021: 7.5%
- 2021 (projected): 7.5%

Source: World Bank

Ethiopia’s economy is expected to grow at an average of 3% to 4% in 2020-2021 (following the COVID-19 impact).

**Total Population (in millions)**

- 2005: 76
- 2010: 90
- 2015: 101
- 2020: 109
- 2021: 113

Source: World Bank

**GDP By Sector (2019)**

- Agriculture: 27.26%
- Services: 36.52%
- Industry: 31.19%

Source: Statista

**Key Economic Indicators (2019/2020)**

- Inflation Rate: 15.9%
- Interest Rate (deposit): 7%
- Tax Revenues: 7.5% of GDP
- Unemployment Rate: 2.1%
- Exports: USD 2.67 billion
- Imports: USD 15.50 billion
- Balance of Trade: -USD 12.83 billion
- Government Debt to GDP: 59.13%
- Corporate Tax Rate: 30%
- Ease of Doing Business: 159/190

Source: World Bank, National Bank of Ethiopia, Statista andPragma Compilations
Demographic Dividend
- >110 million is the population size
- Median Age: 19.5
- The working population (15 – 64 age group) projected to represent 60% of entire population by 2025

Key Government Initiatives
- National digital strategy titled “Digital Strategy for Inclusive Prosperity 2025”. A roadmap for the country’s tech-led growth introduced in May, 2020
- Major government-led projects to enhance the adoption of ICT, such as the Ethio-ICT Park, WoredaNet & SchoolNet, the adoption of the electronic World Trade Platform, a digital identification project, and many more
- Electronic Transactions Proclamation - a key facilitator to the establishment of a clear legal foundation for government and private institutions to offer digital services including the provision of e-commerce and e-government services

Trends in Telecom
- Proceedings towards partial privatization of EthioTelecom, the state-owned monopoly
- Liberalization of the telecom sector
- Infrastructure and service expansion by EthioTelecom
- 22 million active data users
- 44 million mobile subscribers

Companies Providing Tech-Enabled Services
- Growth of active e-commerce based service providers primarily in the spaces of ride-hailing, food delivery, and digital markets
- Complimentary growth of mobile banking and mobile wallet services
- Dynamic incubation and training hubs to promote idea generation and route to market

Poor Financial Inclusion
- 35% of the population owns a bank account, versus 83% in Kenya or 50% in Rwanda
- Only 0.5% of farmworkers receive payments via a bank account
- Many small and medium-sized enterprises raise money from the informal financial sectors of ‘Iqub’ and ‘Edir’
- Lack of sufficient funds, distance, and lack of documentation are major barriers to financial inclusion

SMEs and Prospects of Agent Networks
- The government has designed and implemented a National Micro, Small and Medium Enterprises Development Strategy which facilitates the growth of the sector
- Approximately 800,000 SMEs across the country
- MSMEs not only play a crucial role in providing employment opportunities but also contribute enormously to the socio-economic development of the country
- The opportunities for scalable mobile-based services by establishing an agent distribution network are therefore significant
Ethiopia: A Digital Profile

DEMOGRAPHICS

- Population Size: 113.5 million
- Urbanization Rate: 4.63%
- Urban Population as a % of Total Population: 21%
- Literacy Rate (Adult Age 15+): 52%
- Median Age: 19.5
- Population Aged 13 and Above: 73.4 million (65% of total population)

INTERNET & MOBILE

- Number of Data and Internet Subscribers (in millions)
  - 2012: 0.22
  - 2013: 4.43
  - 2014: 6.17
  - 2015: 9.44
  - 2016: 13.59
  - 2017: 16.51
  - 2018: 17.58
  - 2019: 21.8

- Mobile Phone Connections: 44 Million
- Average Speed of Mobile Internet Connections: 17.57 MBPS
- Mobile Payment Industry Growth (CAGR): 18.7%
- Total Number of Telecom Towers: 7,300 (722 in Addis Ababa)
- Annual Growth of Internet Users: 2.6% (+534 thousand)
- Active Social Media Users: 6.20 Million
- Number of Facebook Users: 6.07 Million
- Android devices: 86.2%
- Apple iOS devices: 3.6%
- Other OS devices: 10.2%

Source: Statista, DataReportal, ResearchAndMarkets.com
**Ethiopia: COVID-19 Situational Overview**

### Key Developments

**Ethiotelecom** announces ‘Stay at Home Mobile Package’, ‘Stay Connected package,’ and ‘Stay Active’ services aimed at limiting the movement of people outside of their homes and decreasing the spread of the coronavirus.

**Higher Education Relevance and Quality Agency (HERQA)** has prepared a draft directive to govern the burgeoning tertiary-level online education system in Ethiopia.

**Ethiotelecom** readies the National Academic Digital Library of Ethiopia for free accessibility allowing teachers and students of higher education access academic resources free of charge during the coronavirus outbreak.

The Ministry of Health and Ethiopian Public Health Institute have deployed digital information systems for public health officials and policymakers to access accurate, real-time information during the pandemic.

Amole, M-Birr, and HelloCash, renowned mobile money platforms, have waived transaction fees for customers using their services to encourage cashless transactions in a fight against the pandemic.

Renew, an investment firm, has funded a third investment in Deliver Addis, a food delivery service, after increasing demand in delivery service caused by the COVID-19 outbreak.

A Washington-based software developer recruits volunteers to combat the spread of the new coronavirus in Ethiopia. The techies have built tools used to raise public awareness of coronavirus risks and for contact tracing.

Ethiopia launches two COVID-19 control mobile apps. The first app tracks people and alerts if they have been in close contact with an infected person. The second one shares out uniform information among medical staff members.

**UNDP** has signed an MoU with MiNT to enlist the support of Ethiopian innovators and tech sector in coming up with innovative and home-grown solutions to fight COVID-19.

Maisha Technologies Ethiopia wins funding award from Villigro Kenya as part of a call for frontline solutions and innovations that can help carry societies through the storm of the COVID-19.

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**COVID-19: CASES IN ETHIOPIA**

![Graph showing the increase in COVID-19 cases in Ethiopia from March 13 to June 5.](Source: Covid19.et)

**CASES BY REGION**

![Bar chart showing the number of cases by region.](Source: Covid19.et)

- **Total Tests**: 136,868
- **Total Cases**: 1,934
- **Recoveries**: 281
- **Deaths**: 20

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**Fintech & Digital Economy: The Ethiopian Perspective**

- **As of June 7th, 2020**

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**Source**: Covid19.et
The recognition of technological progress as one of the most determinant socio-economic merits for a country seems to have become a reality in most of African states. As part of a comprehensive initiative to promote technology-led growth, the government of Ethiopia deliberates towards producing key legislations in the form of transformational proclamations and subsequent directives.

### The Communications Service Proclamation 1148/2019

Published on August 12, 2019, the proclamation establishes the Ethiopian Communications Authority (ECA), defining its mandates and objectives. It also drafts the main orientations for the regulation of telecommunications services in Ethiopia. With the deliberations by the Ethiopian government to open the telecommunications sector to the private sector, the market opening process will be two-fold: a minority stake of the incumbent operator, Ethiotelecom will be proposed to private investors and the ECA will issue two additional licenses for telecommunications operators.

### Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01/2020

Enforced on the 1st of April (2020), the legislative document comprises six sections and twenty articles, and delibrates on the importance of protecting the interest of users of payment instruments by instigating transparent and enabling regulatory requirements. The legislation will allow locally-owned non-financial institutions to start offering mobile money services in a bid to boost non-cash payments in the country. To mitigate associate risks and maintain reliability of payment instruments, the National Bank of Ethiopia shall oversee payment issuers, their systems, agents and outsourcing counter parties.

### Electronic Transactions Proclamation

Approved by the House of Peoples’ Representatives on May 29 (2020), the electronic transactions proclamation is a key facilitator to the establishment of a clear legal foundation for government and private institutions to offer digital services including the provision of e-commerce and e-government services.

### The Telecommunications Licensing (Draft) Directive

A 19-page draft was published for stakeholder consultation on April 28 (2020) which deliberates on the issuance of telecommunications licenses for full operators and class licenses for service providers. Unified licenses will be granted to three operators, including the state-owned EthioTelecom, and will permit companies to combine mobile, internet and fixed-line services. In contrast, class license holders can engage with telecommunications infrastructure, internet services, value-added, virtual internet and hosting services.

### Postal Service Proclamation

Reported in early June (2020), the Ethiopian Communications Authority has drafted a new bill, the Postal Service Proclamation, convening to a regulatory and legal grounding for the Ethiopian Postal Service Enterprise to play a key role in enabling electronic commerce activity in the country. The draft bill is now ready for scrutiny during a planned public consultation in July, 2020.
Major Fintech Players in Ethiopia

Moss ICT Consultancy
- Year of Formation: 2010
- Subscribers: 1.7mn
- Branches or Agents: 14,000
- Services: mobile transactions in the form of bill payment, airtime purchase, money transfer, mobile wallet
- Partners: ACSI, DECSI, OCSSCO, OMO, ADCSI and PMF (the largest Microfinance Institutions in Ethiopia)

Belcash Technology Solutions PLC
- Year of Formation: 2011
- Subscribers: 1.5mn
- Branches or Agents: 8,000
- Services: mobile transactions in the form of money transfer, bill payment, airtime purchase, social cash transfer, ecommerce and international remittance
- Partners: Wegagen bank, Lion bank, Somali microfinance and Cooperative Bank of Oromia

Moneta Technologies SC
- Year of Formation: 2018
- Subscribers: 3.5mn
- Branches or Agents: 8,000
- Services: mobile transactions in the form of bill payment, airtime purchase, money transfer, mobile wallet
- Partners: Dashen Bank SC

Commercial Bank of Ethiopia
- Year of Formation: 2017
- Subscribers: 3.6mn
- Branches or Agents: 10,000
- Services: mobile transactions in the form of bill payment, airtime purchase, money transfer, mobile wallet

YenePay Financial Technologies PLC
- Year of Formation: 2015
- Subscribers: 10,000
- Services: online/mobile payment aggregation for e-commerce, delivery & digital services
- Partners: EthSwitch, Derash and 11 banks
A National Focus on Digital Economy & E-Government

National Digital Strategy
A digital strategy roadmap that aspires for Ethiopia to achieve technology enabled growth and concentrates on four main destinations of application: agriculture, manufacturing, IT enabled services, and tourism.

eWTP Ethiopia Hub
An Alibaba-led multi-stakeholder global initiative promoting public-private dialogue to support inclusive global trade via technology and policy innovation for SMEs. Ethiopia has established an eWTP hub in November 2019.

Digital Identification
The Ethiopian government is planning on dispersing digital IDs with the introduction of information technology expected to help the fight against ID fraud, tax evasion, and related crime.

WoredaNet
An E-Government network connecting more than 900 local, regional and federal government offices across the country to provide ICT services such as video conferencing, directory messaging, Voice Over IP, and Internet connectivity.

ICT Park
An ICT Park was established (1st phase operational) in Addis Ababa to provide a world-class business environment along with a conducive policy and regulatory framework, state-of-the-art infrastructure and value proposition. More than 20 international and local ICT companies have setup business activities inside the Park.

SchoolNet
A satellite network, launched in 2003, providing Internet connectivity & TV-broadcast educational content to secondary schools across Ethiopia.

National ICT Policy
A government-led policy, launched in 2016, that stems from the recognition of ICT as the key driver and facilitator for transforming the country’s predominantly subsistence-agriculture economy to an information and knowledge-based economy.
Since its inception, Ethio telecom has remained a state monopoly in a sector that was tightly restricted for private ownership. Many would argue that the monopolistic exercise of the telecom sector has stifled innovation, constrained infrastructure expansion and restricted the provision of varied services. However, in June 2018, Prime Minister Abiy’s government announced provisions to open the sector for competition as it pertains to two licenses expected to be granted to two international operators by June 2020. Additional proceedings to partially privatise Ethio telecom was also announced where a reported 40% stake would be offered to a competent telecom player and 5% to be allocated for the public.

The New Regulator

The Communications Service Proclamation No. 1148/2019 published on August 12, 2019 has established the Ethiopian Communications Authority (ECA) which is an independent communications services regulatory authority and is accountable directly to the Prime Minister.

Key Incentives for Telecom Service Operators

**Deductible tax depreciation:** The capital outlay on acquisition of telecommunication license, which would be accounted for as an intangible asset, is tax deductible over the duration of the license based on the prescribed rates.

**Carry forward tax losses:** Operational losses incurred by telecommunications service providers during the income tax exemption period can be carried forward for a period of up to 5 years.

**Zero excise duty:** Currently, there is no excise duty on telecommunication services.

Mobile Geographic Coverage.

85.5% 2G
66% 3G
4% 4G

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Source: Statista
Deep Reforms
Announcements to liberalize and reform the telecom sector in Ethiopia by Prime Minister Abiy Ahmed

Appointment of Transactions Adviser
The country appoints financial advisory firm, KPMG, to undertake asset valuation duties on EthioTelem for its eventual proceedings towards privatization

Public Consultation
On November 12, 2019, the ECA held a public consultation forum on the Ethiopian telecommunications reform process with potential investors

Expression of Interest
Congruent with the liberalization of the telecom sector, the ECA launched a request for Expressions of Interest (EOI) to issue two new telecommunications licenses

Additional Directives
The ECA produces (draft) directives to regulate the sector with a detailed approach, mainly around telecom license provision, but also with respect to consumer rights and protection, and dispute resolution
Note: The compilation of the organizations and companies listed above was based on the following criteria: longevity, prominence, user base, coverage, resource availability, and/or reliability. Pragma remains aware that a few other entities who qualify as per the criteria of selection have been omitted due to the exceeding quota of presentability to the reader.
Key Representatives of Government 1/2

H.E. Dr. Abiy Ahmed
Prime Minister, Federal Democratic Republic of Ethiopia

H.E. Ahmed Shide
Minister, Ministry of Finance, Ethiopia

H.E. Dr. Eyob Tekalign
State Minister, Ministry of Finance, Ethiopia

Dr. Brook Taye
Senior Advisor, Ministry of Finance, Ethiopia

H.E. Dr. Abraham Belay
Minister, Ministry of Innovation and Technology, Ethiopia

Balcha Reba
Director-General of the Ethiopian Communications Authority

Frehiwot Tamiru
CEO, Ethio telecom

Dr. Shumete Gizawe
Director-General, Information Network Security Agency (INSA)

Dr. Yinager Dessie
Governor, National Bank of Ethiopia (NBE)

Dr. Ephrem Lemango
Commissioner, Jobs Creation Commission (JCC)
Key Representatives of Government 2/2

H.E. Dr.-Ing. Getahun Mekuria
Minister, Ministry of Education, Ethiopia
Former Minister, Ministry of Innovation and Technology, Ethiopia

Prof Hirut Woldemariam
Minister of Higher Education and Science, Ethiopia

Feven Dagnachew
CEO, Ethio ICT Park

Myriam Said
Digital Economy, Government of Ethiopia
Former Director, Digital Transformation Program, Ministry of Innovation & Technology, Ethiopia

Yodahe Zemichael
Principal Technical Advisor, Office of the Prime Minister, Ethiopia
Influential Tech Leaders in Ethiopia 1/2

Samrawit Fikru  
Co-Founder and CEO, Ride App

Betelhem Dessie  
Founder and CEO, iCog- Anyone Can Code

Amrote Abdella  
Regional Director, Microsoft 4Afrika Initiative

Eleni Gabre-Madhin (PhD)  
Founder and CEO, blueMoon

Selam Wendim  
Co-Founder and CEO, GroHydro

Feleg Tsegaye  
Founder and CEO, Deliver Addis

Habtamu Tadesse  
Founder and CEO, ZayRide

Markos Lemma  
Co-Founder and CEO, iceaddis

Amadou Daffe  
Co-Founder and CEO, Gebeya Inc.

Getnet Assefa  
CEO, iCog Labs

Fintech & Digital Economy: The Ethiopian Perspective
Influential Tech Leaders in Ethiopia 2/2

Adam Abate  
CEO, Paga Ethiopia

Vincent Diop  
Founder and CEO, Belcash

Yemiru Chanyalew  
CEO, Moneta Technologies SC

Nurhassen Mensur  
Co-Founder, Business Development & Communications Director, Yenepay

Abiy Selassie  
Founder and CEO, Addis Mercato

Araya Lakew  
Founder and CEO, Mekina.net

Munir Duri  
Founder and CEO, Kifiya

Tewodros Tadesse  
Founder and CEO, xHub Addis

Yusuf Reja  
Founder, EthioJobs

Abebe Girmay  
Country Manager (Ethiopia), Visa  
Former Country Manager (Horn of Africa), MasterCard
Notable Tech Leaders from the Diaspora

Rediet Abebe
Co-Founder, Black in AI and Mechanism Design for Social Good

Yonas Beshawred
Founder and CEO, Stackshare

Kebron Dejene
Founder and CEO, Viditure Inc.

Mike Endale
Co-Founder and CEO, Moxit

Timnit Gebru
Technical Co-Lead of the Ethical Artificial Intelligence Team, Google
Co-Founder, Black in AI

Sara Menkir
CEO, Gro Intelligence

Azarias Reda
Founder and CEO, FreshCar
Former CTO, Republican National Committee

Beakal Tekola
Co-Founder, ArifSoft

Abenezer Yohalashet
Founder, PayTollo

Solomon Kassa
Producer and Host, TechTalk
Technology Consulting Manager, Deloitte

Fintech & Digital Economy: The Ethiopian Perspective
At Pragma, we unlock opportunities in Ethiopia’s growingly vibrant and disruptive technology space by doing three important things across the commercial value chain...

Contact our Advisors for more information on how they can help you create lasting value.

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