



Fintech & Digital Economy

The Ethiopian Perspective

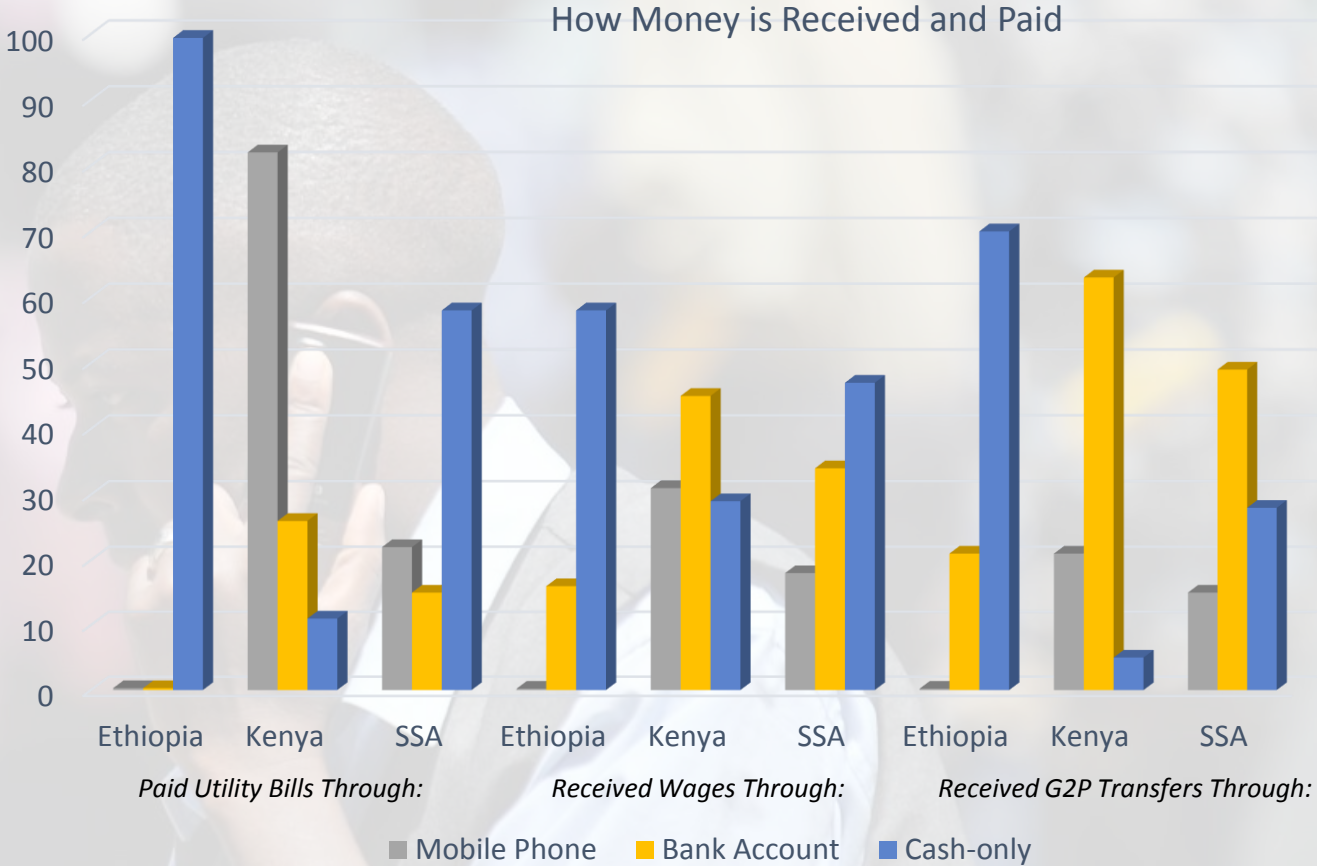
Context: East Africa and Fintech

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.

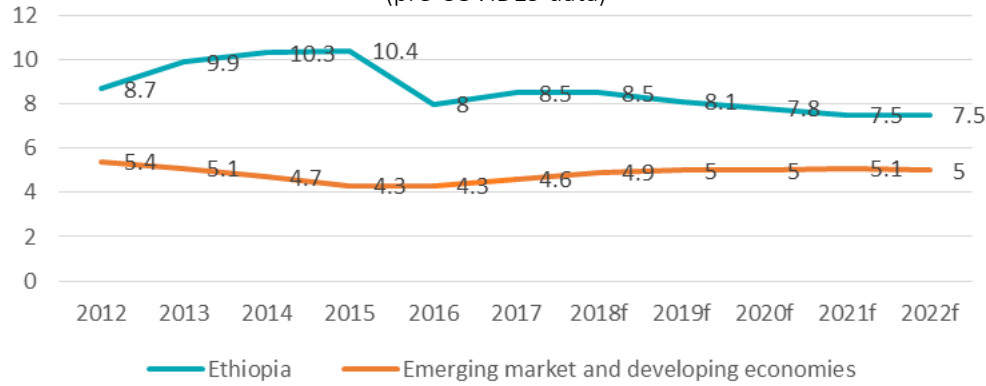
Ethiopia, a primary case study in this report, remains to be a country with a singular dependency in cash-only transfers, as the chart clearly illustrates. However, important driving factors of fintech adoption are already prevalent in the country, some of which are the demographic trends as the second 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.



Source: World Bank, Global Findex Database

Ethiopia's Economic Standing

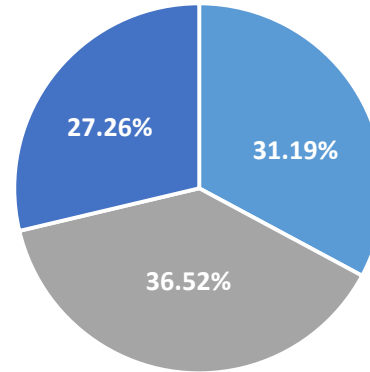
Real GDP Growth %
(pre-COVID19 data)



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).

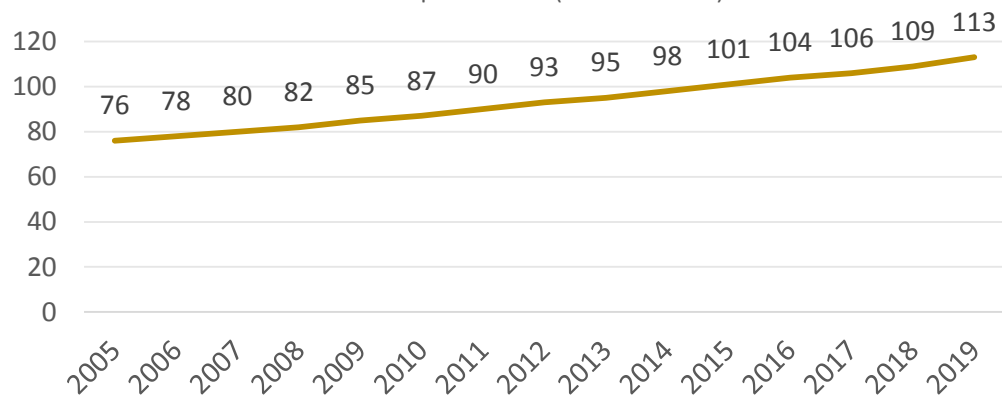
GDP By Sector (2019)
% share



■ Agriculture ■ Services ■ Industry

Source: Statista

Total Population (in millions)



Source: World Bank

All products that are made in Ethiopia and exported to the U.S. and European Union are duty and quota free under AGOA and EBA, respectively



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 and Pragma 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
- Directive to regulate payment instruments issuers titled “Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01/2020”
- 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

DEMOGRAPHICS



Population Size
113.5 million



Literacy Rate (Adult Age 15+)
52%



Urbanization Rate
4.63%



Median Age
19.5

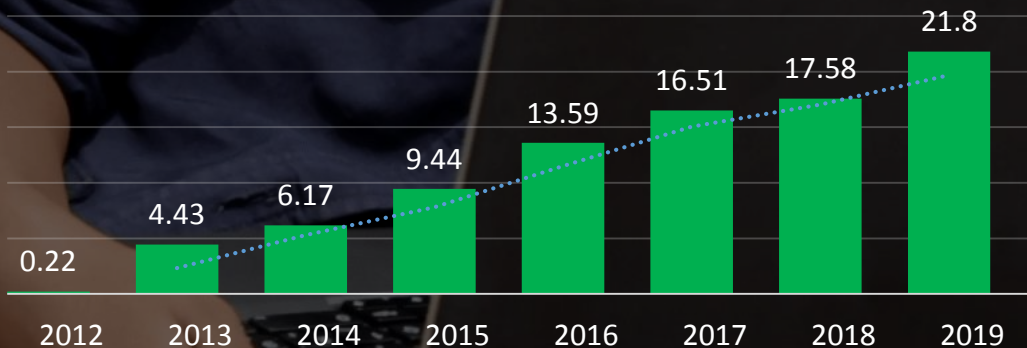


Urban Population as a % of Total Population
21%



Population Aged 13 and Above
73.4 million (65% of total population)

Number of Data and Internet Subscribers (in millions)



Source: Statista

INTERNET & MOBILE



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%

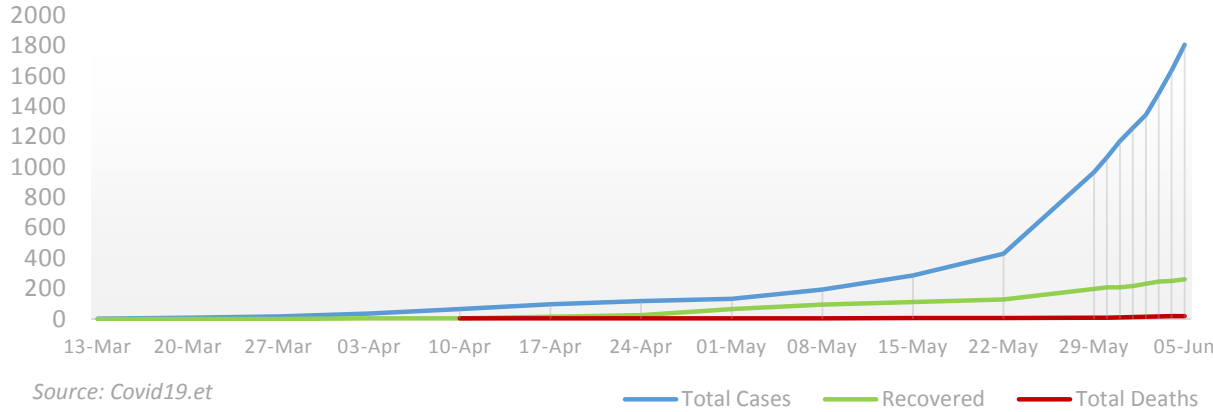


Other OS devices
10.2%

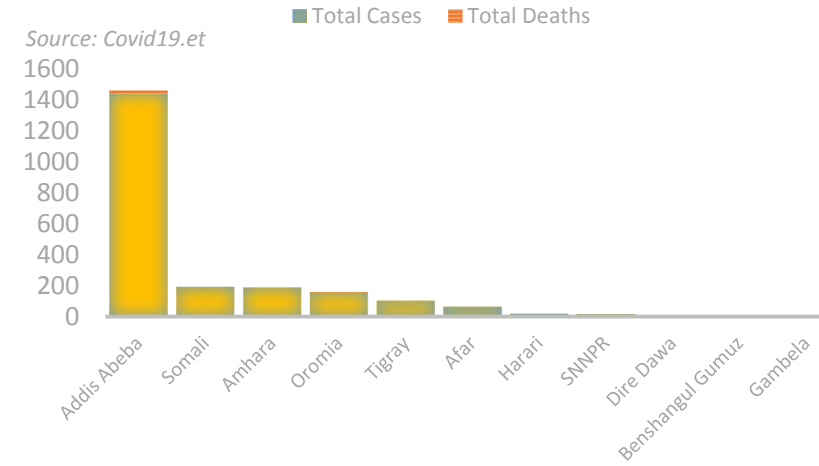
Source: DataReportal, ResearchAndMarkets.com

Ethiopia: COVID-19 Situational Overview

COVID-19: CASES IN ETHIOPIA



CASES BY REGION



Total Tests
136,868

Total Cases
1,934

Recoveries
281

Deaths
20

As of June 7th, 2020

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 corona virus 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

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, Ethio telecom 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 deliberates 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 Ethio telecom, 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.

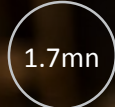
Major Fintech Players in Ethiopia



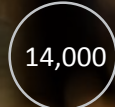
Moss ICT Consultancy



Year of Formation



Subscribers



Branches or Agents



Services: mobile transactions in the form of bill payment, airtime purchase, money transfer, mobile wallet



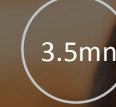
Partners: ACSI, DECSI, OCSSCO, OMO, ADCSI and PMF (the largest Microfinance Institutions in Ethiopia)



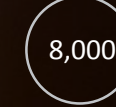
Moneta Technologies SC



Year of Formation



Subscribers



Branches or Agents



Services: mobile transactions in the form of bill payment, airtime purchase, money transfer, mobile wallet



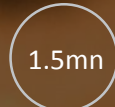
Partners: Dashen Bank SC



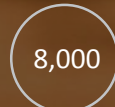
Belcash Technology Solutions PLC



Year of Formation



Subscribers



Branches or Agents



Services: mobile transactions in the form of money transfer, bill payment, airtime purchase, social cash transfer, ecommerce and international remittance



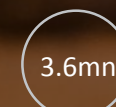
Partners: Wegagen bank, Lion bank, Somali microfinance and Cooperative Bank of Oromia



Commercial Bank of Ethiopia



Year of Formation



Subscribers



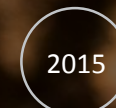
Branches or Agents



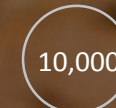
Services: mobile transactions in the form of bill payment, airtime purchase, money transfer, mobile wallet



YenePay Financial Technologies PLC



Year of Formation



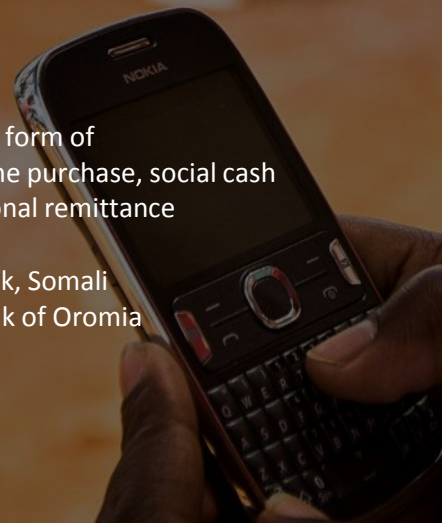
Subscribers



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



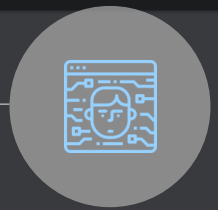
National Digital Strategy
 A digital strategy roadmap that aspires for Ethiopia to achieve technology enabled growth and concentrates on four main destinations of application: agriculture, manufacturing, IT enabled services, and tourism



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



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

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



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



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

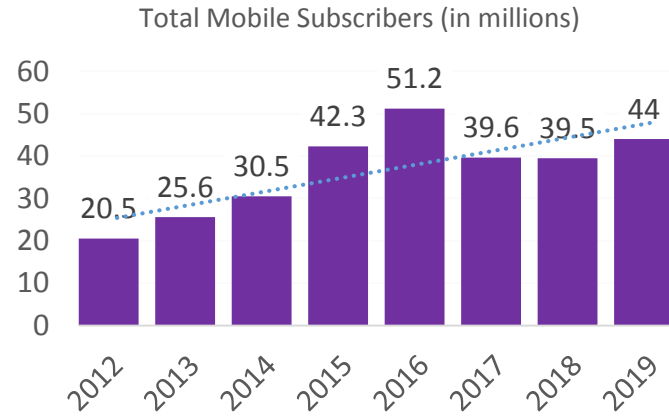


Telecom Sector Overview

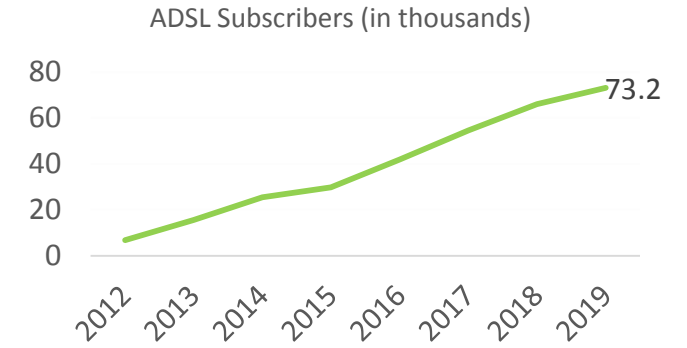
Since its inception, Ethio telecom has remained a state monopoly in a sector that was tightly restricted for private ownership. Many would argue that the monopolistic exercise of the telecom sector has stifled innovation, constrained infrastructure expansion and restricted the provision of varied services. 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.



Year of Formation: 1952
 Headquarter: Addis Ababa, Ethiopia
 Industry: Telecommunications
 Services: Mobile, Fixed Line, Broadband
 Area covered: Ethiopia
 Total Number of Subscribers: 64.4 million
 Total Mobile Subscribers: 44 million
 Total Active Mobile Data Users: 21.8 Million
 Annual Revenue: \$36 billion (2018/19)



Source: Statista



Source: Statista

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.



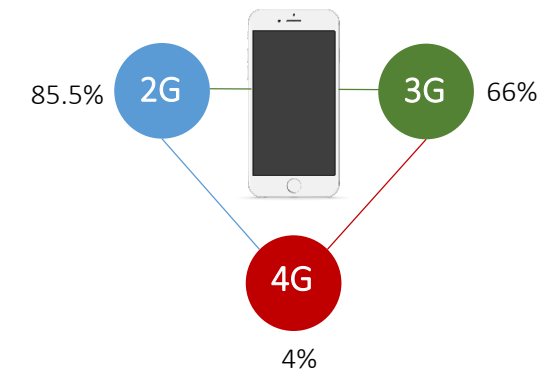
Key Incentives for Telecom Service Operators

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.



Major Infrastructure Partners



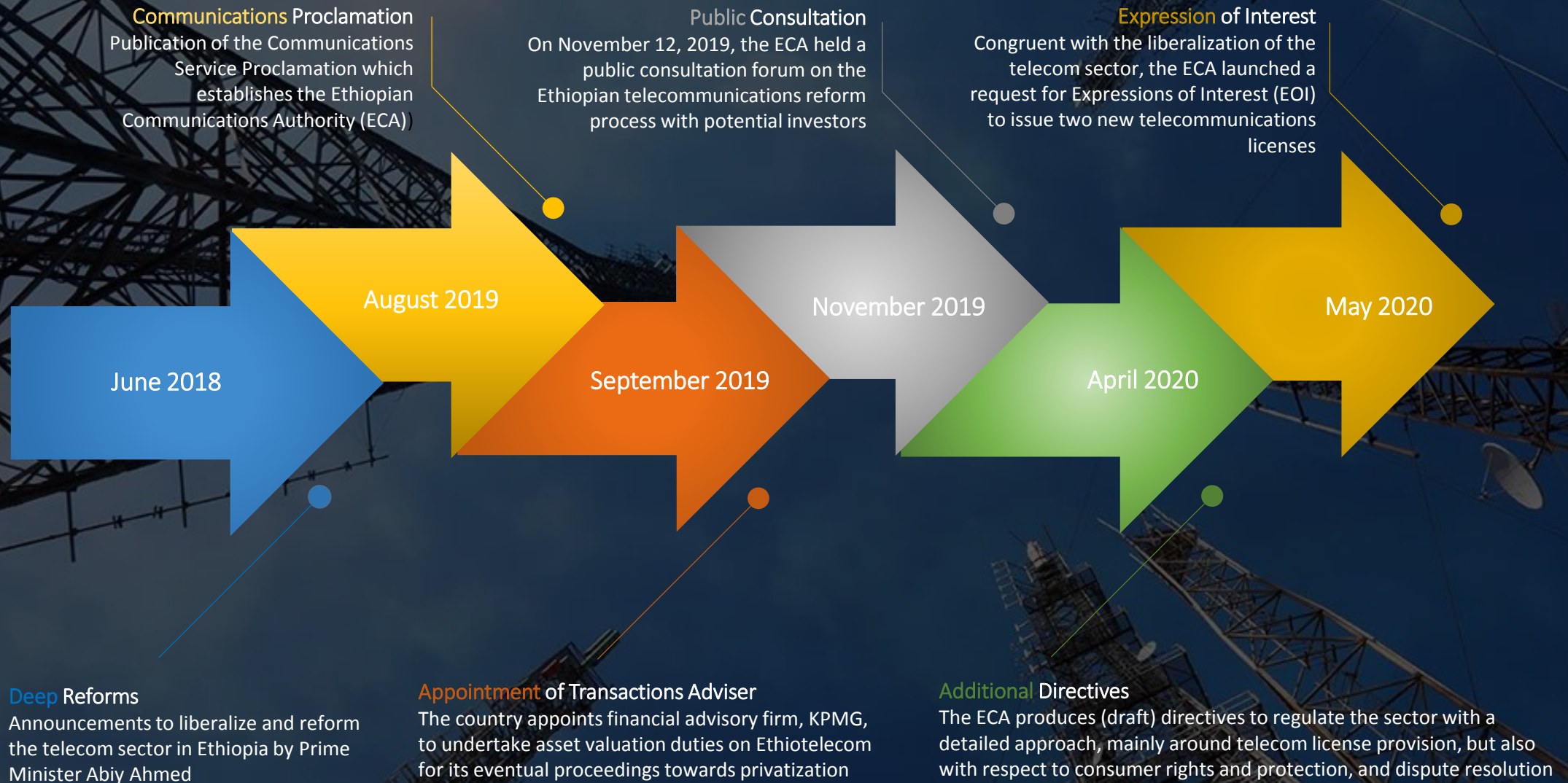
Technical Advisors



Potential Entrants



Telecom Sector Reform - Milestones



Ethiopia's Technology Landscape

FINTECH

BelCash, helloCash, paga, kifiya, En@Pay, MiBIRR, hihir MOBILE, hihir, Birr, meda, Flocash, PAY, mela, EthioPay, VISA, MasterCard

TRANSPORTATION

RIDE, ZAYRIDE, Lift, FETAN, Taxiye, Eshi Express, KECH, polo TRIP, TRIBE, ETTA

TRAINING & SUPPORT

Startup Factory ETHIOPIA, growthafrica, AAiT, iceaddis, blueSpace, Reach for Change, GEBEYA, dot. ETHIOPIA, ATA, AMERICAN COLLEGE OF TECHNOLOGY, FasterCapital, TECHNO BRAIN, iCog Labs

AGRI-TECH

GebeyaNet, CTA, GREENPATH, AFRICA, MICROSOFT, grohydro, VERAS

JOB

sira, ethioJobs, helloSera, taskmoby, AddisJobs, employ Ethiopia, ZionJob, ETCAREERS

E-COMMERCE

QEFIRA, Addis Mercato, Addis Mart, KIKUU, EthioSuQ, (SO)reDoks, zambil, Brundo, Fetan, AFRICA eSHOP, www.utopia.et, BEAMAT, SHEGER.NET, MEKINA.NET, asbeza.net, STORE 251, cargebeya

HARDWARE & SOFTWARE

AISHA, ZALATECH, ERICSSON, Fairfax Technologies, WS WebSrix, ZTE, TECNO mobile, TANA MOBILE, itel, CNET Technology Group, G-TIDE, 360 GROUND

ECO-FRIENDLY

flowius, hello solar, SolarTech, ORCHID business group plc, LYDETCO, CORBETTI Geothermal

FUNDERS & INVESTORS

Betam, PRAGMA, Shell Foundation, USAID, cerberus, FINNFUND, INJINI, UNDP, DANIDA, European Investment Bank Group, villgro kenya, RENEW, IIO, GROUND, CDC, IFC, DFC, TOTAL, Fairfax Africa Fund, LLC, Department for International Development, KUDU

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)



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

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

Angel Investors and Venture Capitalists



Addis Alemayehou

Co-Founder and CEO, 251 Communications
Founding Partner, ACG, KANA TV & ARADA Mobile



Shem Asefaw

Angel Investor, ShemTECH Ventures



Henok Assefa

Managing Partner, Precise Consult International
Chairman, Precise Investments



Amaha Bekele

Partner, Consulting Leader for East Africa, Deloitte



Zemedeneh Negatu

Global Chairman, Fairfax Africa Fund



Anthony Worku

Founder and CEO, WorkuVentures International



Bethlehem Tilahun

Founder and CEO, soleRebels



Amanuel Alemu

Co-Founder and Managing Partner, Betam Group Holding LLC



Tsedeke Yihune

Founder and CEO, Flintstone Engineering



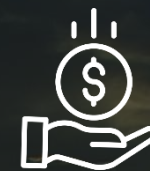
Paul Reynolds

Director of Investment and Business Development (Africa), Inchcape Plc

At Pragma, we unlock opportunities in Ethiopia's growingly vibrant and disruptive technology space by doing three important things across the commercial value chain...



We **Advise**



We **Invest**



We **Manage**

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



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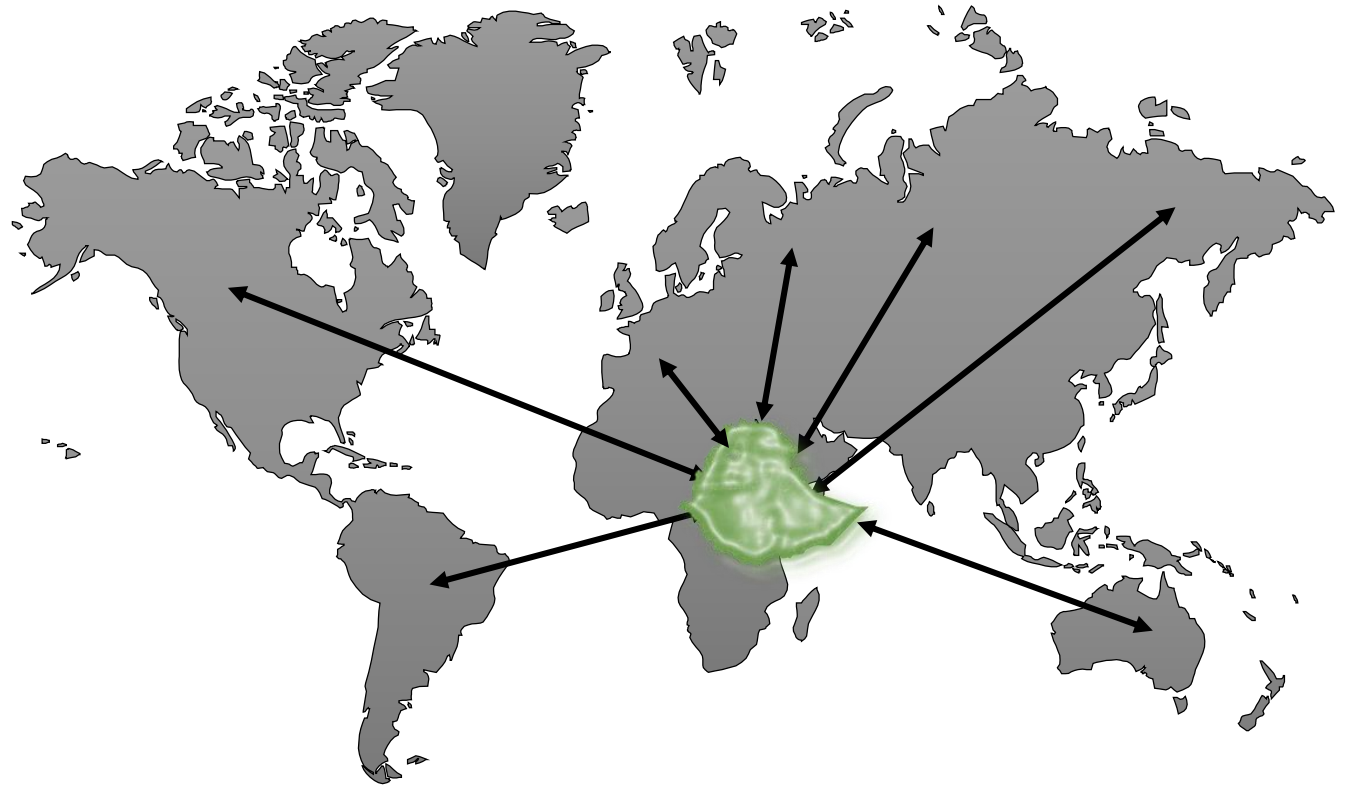
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