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NATIONAL BANK OF ETHIOPIA

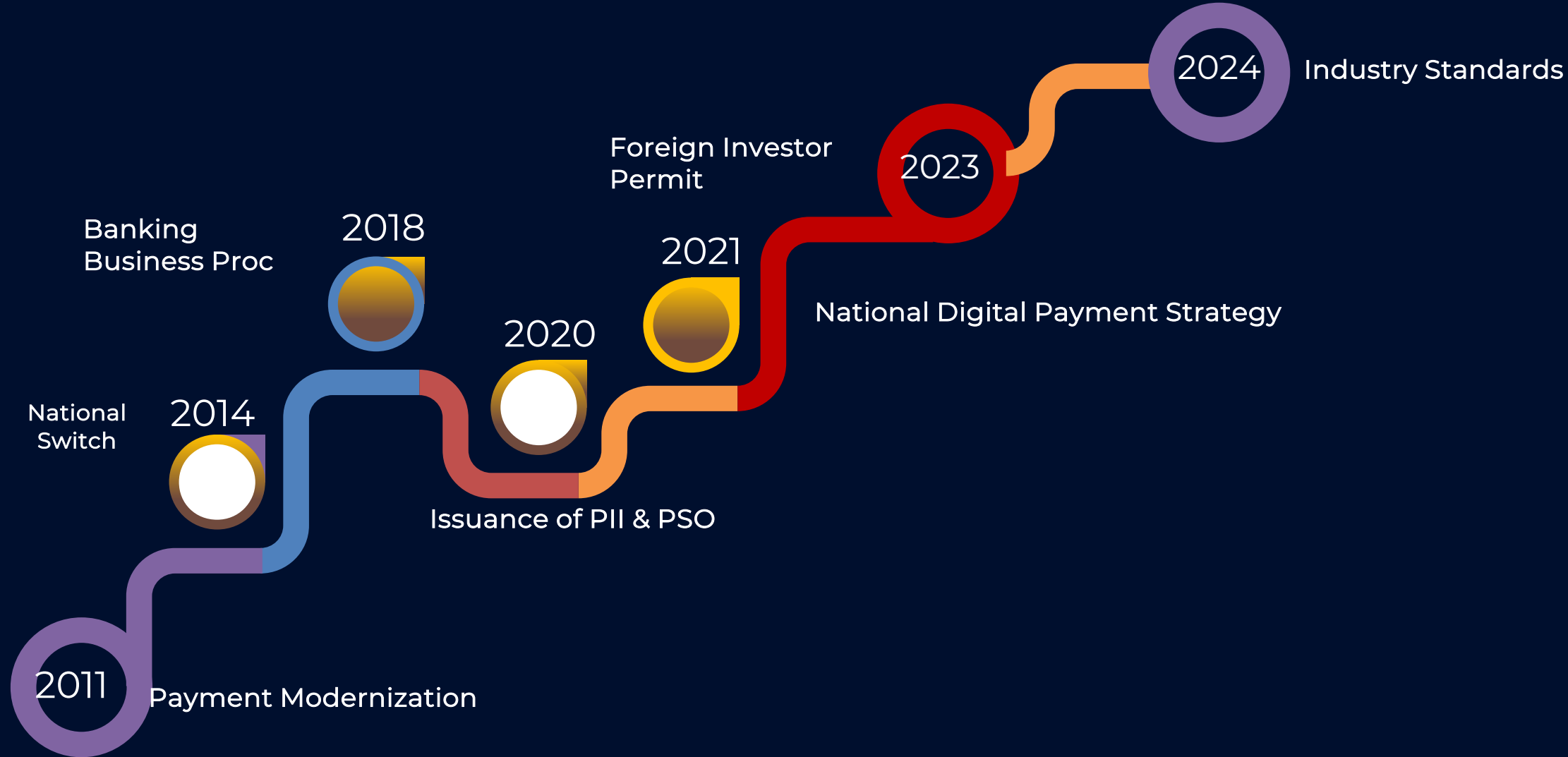
ETHIOPIA'S DIGITAL PAYMENTS PERFORMANCE

PAYMENT SYSTEM AND DIGITAL
FINANCIAL SERVICES

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APRIL 2024

The Journey - Digitizing Ethiopia's Payment System



1 *Payment System Modernization Program*

- National Payment System Proclamation No 718/2024 was issued.
- The proclamation was a breakthrough to lay down the basic regulatory framework for critical elements of the payment system including the recognition of electronic images and messages for payments, payment finality, oversight, and consumer protection
- The introduction and operationalization of the Ethiopian Automated Transfer System (EATS).
- EATS is the Ethiopian RTGS whereby interbank payments are final and irrevocable. It is a settlement engine for all payments between financial institutions.



2011

2 *The National Switch: Interoperability and shared platform*

- The National Bank of Ethiopia together with the Bankers Association took the initiative to introduce a national switch under the payment system modernization program
- It is an excellent example of a public-private partnership in digitizing and interoperable payments.
- The aim was to create interoperability among all payment channels, and instruments and to provide a shared platform.



2014

3 Banking Business Proclamation (Amendment) No.1159/2019: DFSP/Non-Banks

- An important milestone to recognize non-bank Digital Financial Service Providers.
- Only banks and MFIs were allowed to provide payment and digital financial services
- It is a foundational initiative by the National Bank to transform the digital payment ecosystem



2019

4 Issuance of PII, PSO, and Use of Agent Directives

- The National Bank of Ethiopia Issued three important directives that outlined the detailed requirements for licensing and authorization of non-bank payment service providers; and comprehensive guidelines for the use of agents for financial services.
- In 2021 the National Bank issued the first non-bank mobile money license to Ethiotelecom (Tele birr)



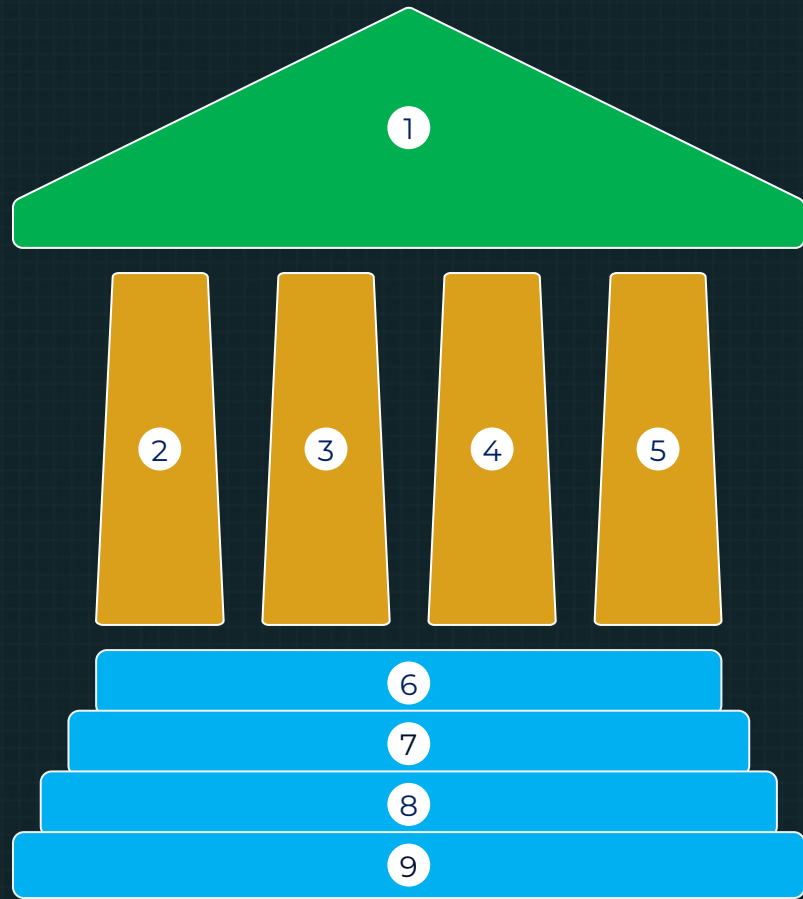
2020

5 National Digital Payment Strategy (2021-2024)

- First-ever strategy to focus on digital payment and its pillars.
- It transformed the nation's payment system focusing on four foundational pillars



2021



Vision

1 Build a secure, competitive, efficient, innovative, and responsible payments ecosystem to support a cash-lite and financially inclusive economy

Strategic Pillars

2 Develop a reliable and interoperable infrastructure

3 Champion adoption of inclusive digital payments

4 Build a robust and consistent regulatory and oversight framework

5 Create an enabling environment for innovation

Enablers

6 Commit to an efficient, reliable, and safe national payments system

7 Prioritize and invest in capacity building across the digital payments ecosystem

8 Guarantee active and ongoing coordination with national development reforms and policies

9 Build a robust governance and implementation road map, and monitor success of key performance indicators

6 Issuance of National Payment System Proclamation No. 1282/2023 (Amendment)

- The objective was to open up the payment service sector to foreign investors; and to make the payment ecosystem more competitive, innovative and efficient by creating a more enabling regulatory framework.
- Following the issuance; the National Bank issued a mobile money license for M-Pesa Financial Services PLC.

2023

7 International & Industry Standards & Instant Payments

- Migration of RTGS into ISO 20022 and compliance by the industry with the standard.
- Standardized QR code for merchant payments.
- Operationalizing of the Instant Payment System by the National Switch.
- NDPS 2.0 preparation

2024

Accelerated Digital Adoption

- Most of the utility payments are now digitized.
- Fuel payments are fully digitized.
- Most of government-to-people (G2P) payments are now made through digital.
- People to government payments such as tax, fines, and others are going digital
- The total access points as of June 30, 2023, surpassed 238K
- Public sector (agriculture, health & PSNP) payments are being digitized



Regulatory reforms catalyzing transformation

- As of June 30, 2023, the total number of digital accounts has exceeded 102.8 million. Over the past three years, mobile money accounts have increased by four times. The growth is mainly due to regulatory reforms by the National Bank, including the opening of payment services to non-bank players (Fintechs). Digital accounts are expected to continue increasing in the future with the entry of new players into the market.

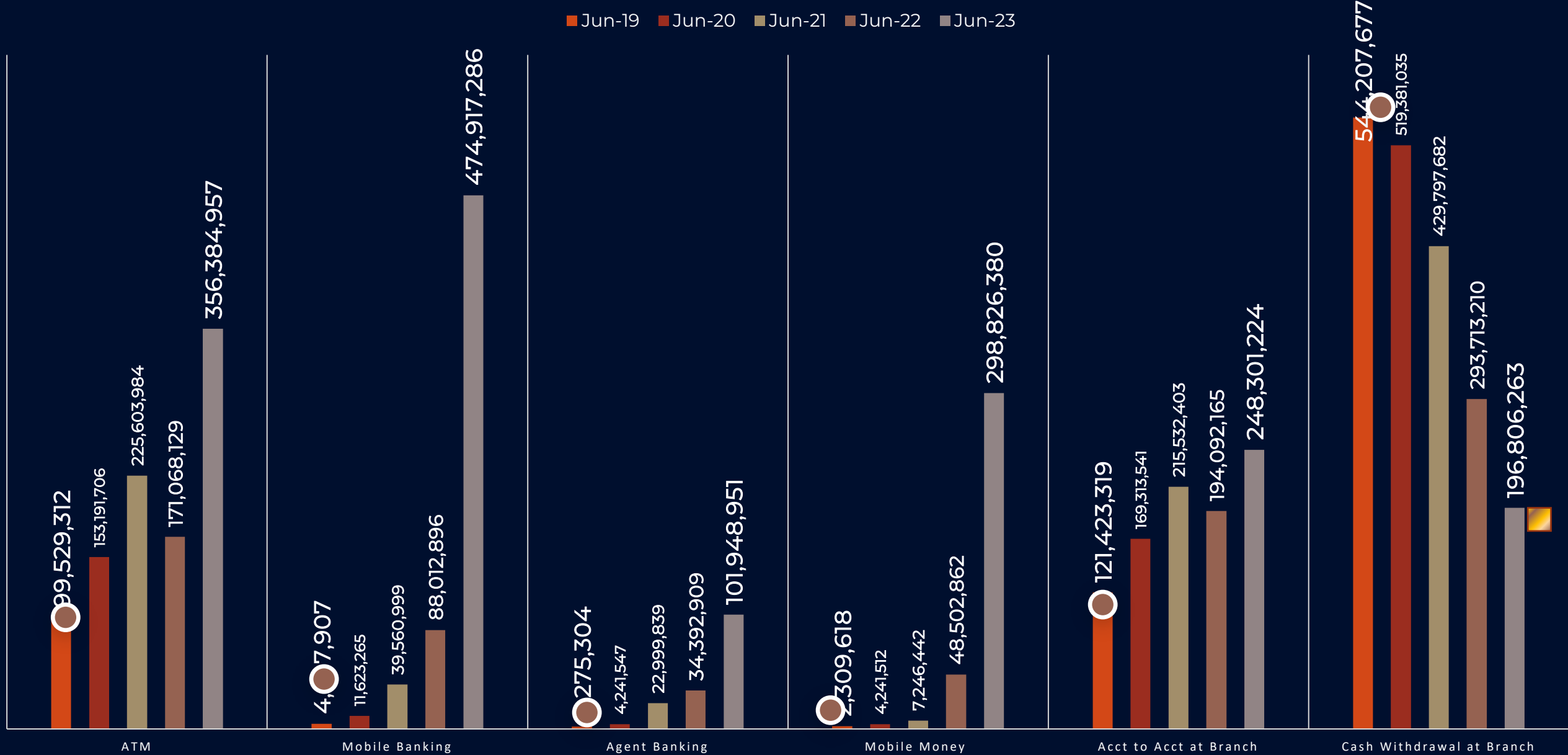


Digitization Trend



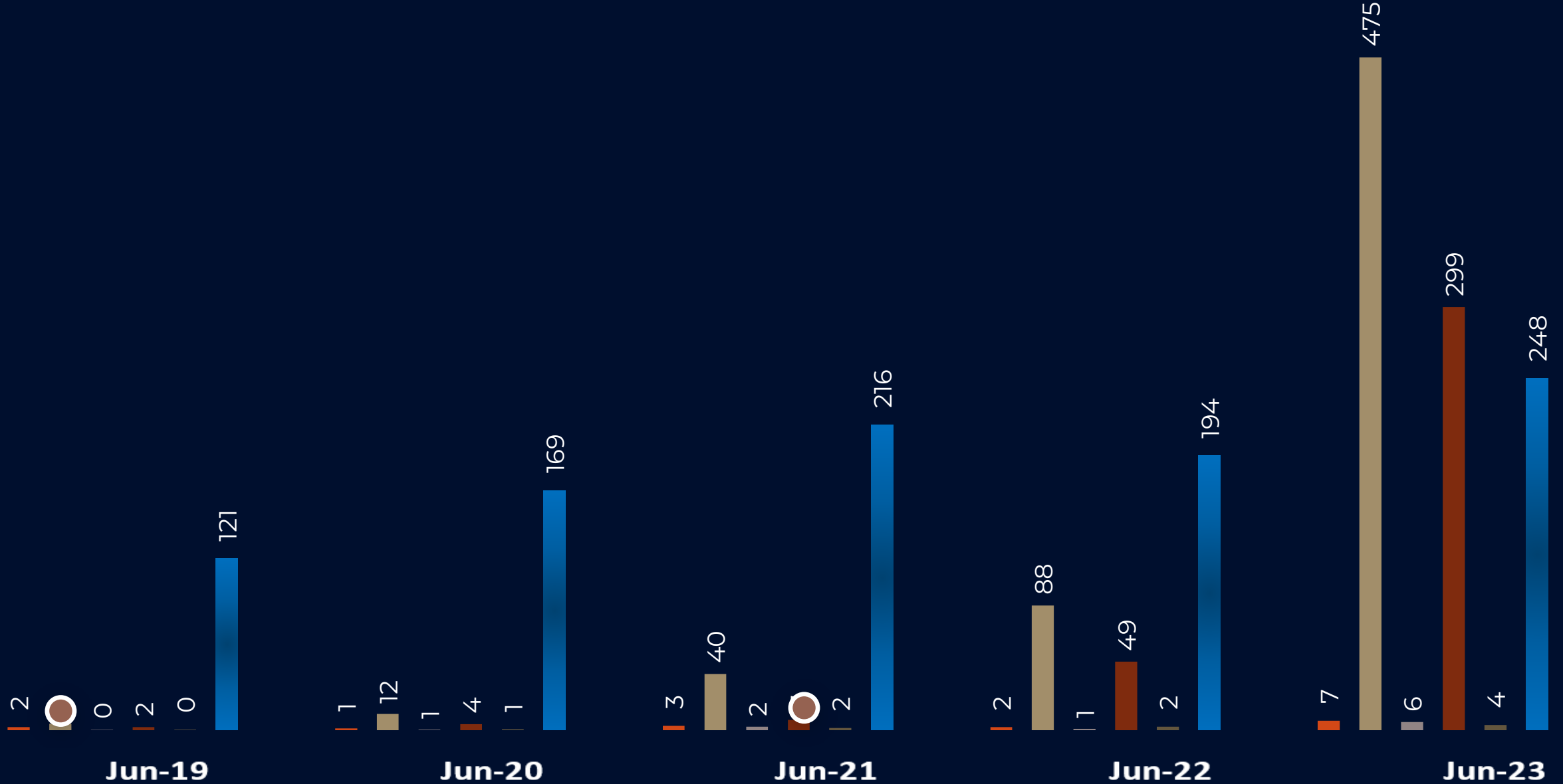
The Rise of Digital Payments(volume)

■ Jun-19
 ■ Jun-20
 ■ Jun-21
 ■ Jun-22
 ■ Jun-23

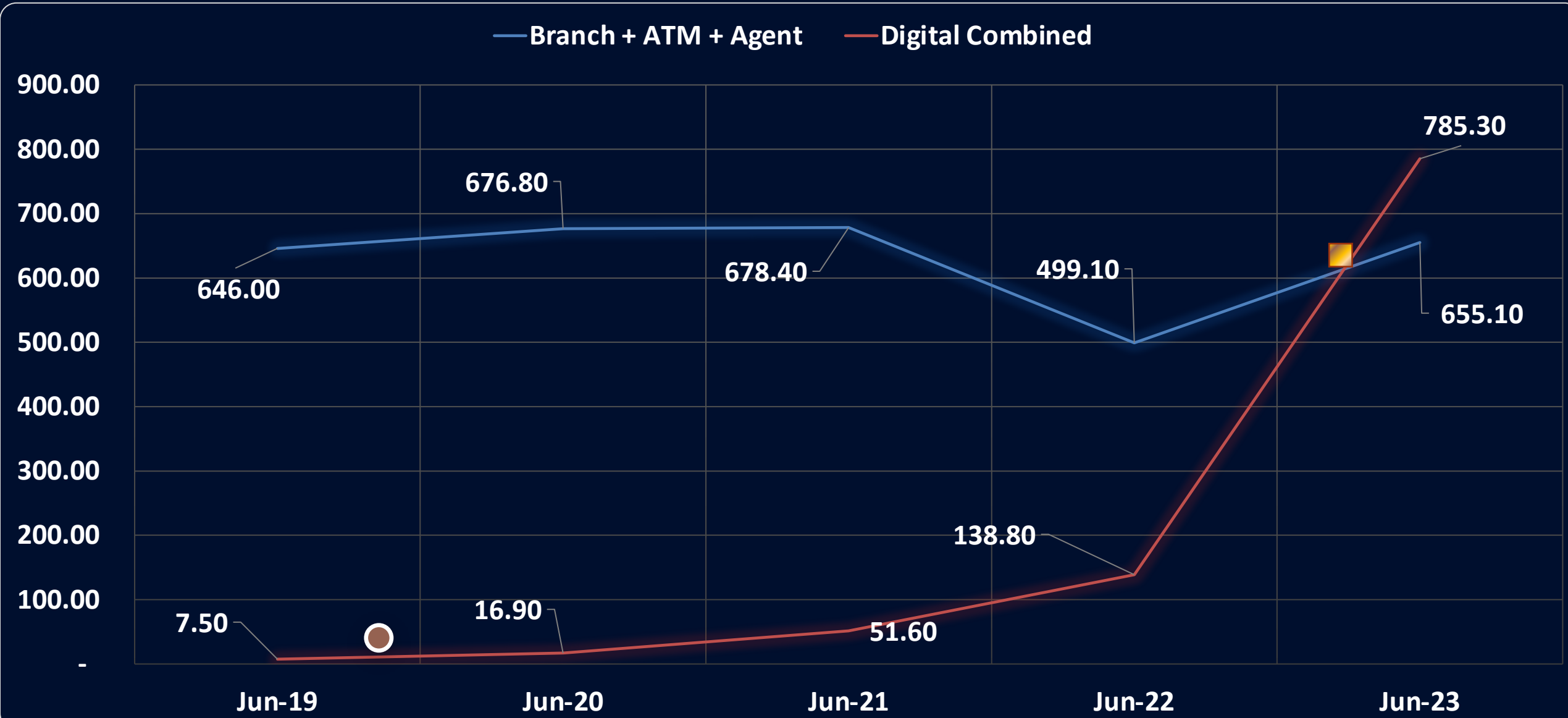


Transaction Volume per Digital Channel (in Million)

- POS Volume
- Mobile Banking Volume
- Internet Banking Volume
- Mobile Money Volume
- RTGS Volume
- Acct to Acct at Branch Volume

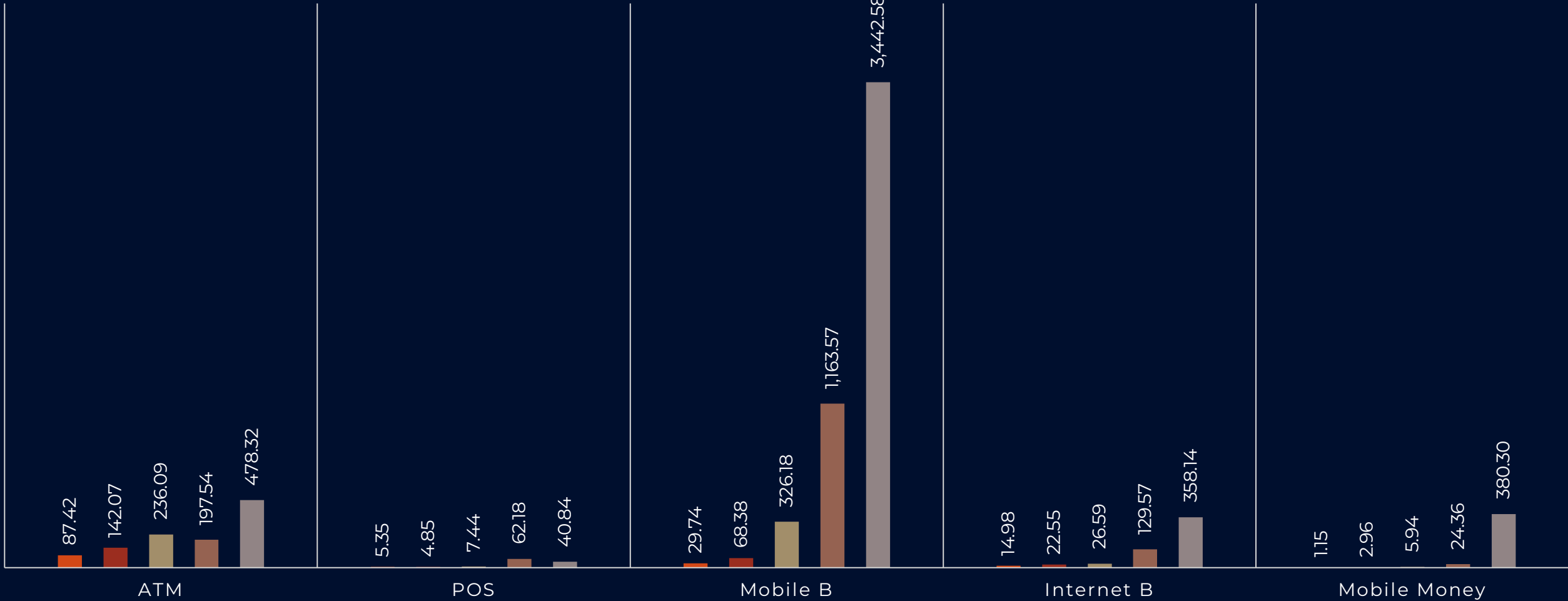


Digital Overtakes Cash – in 2023 (volume in Millions)

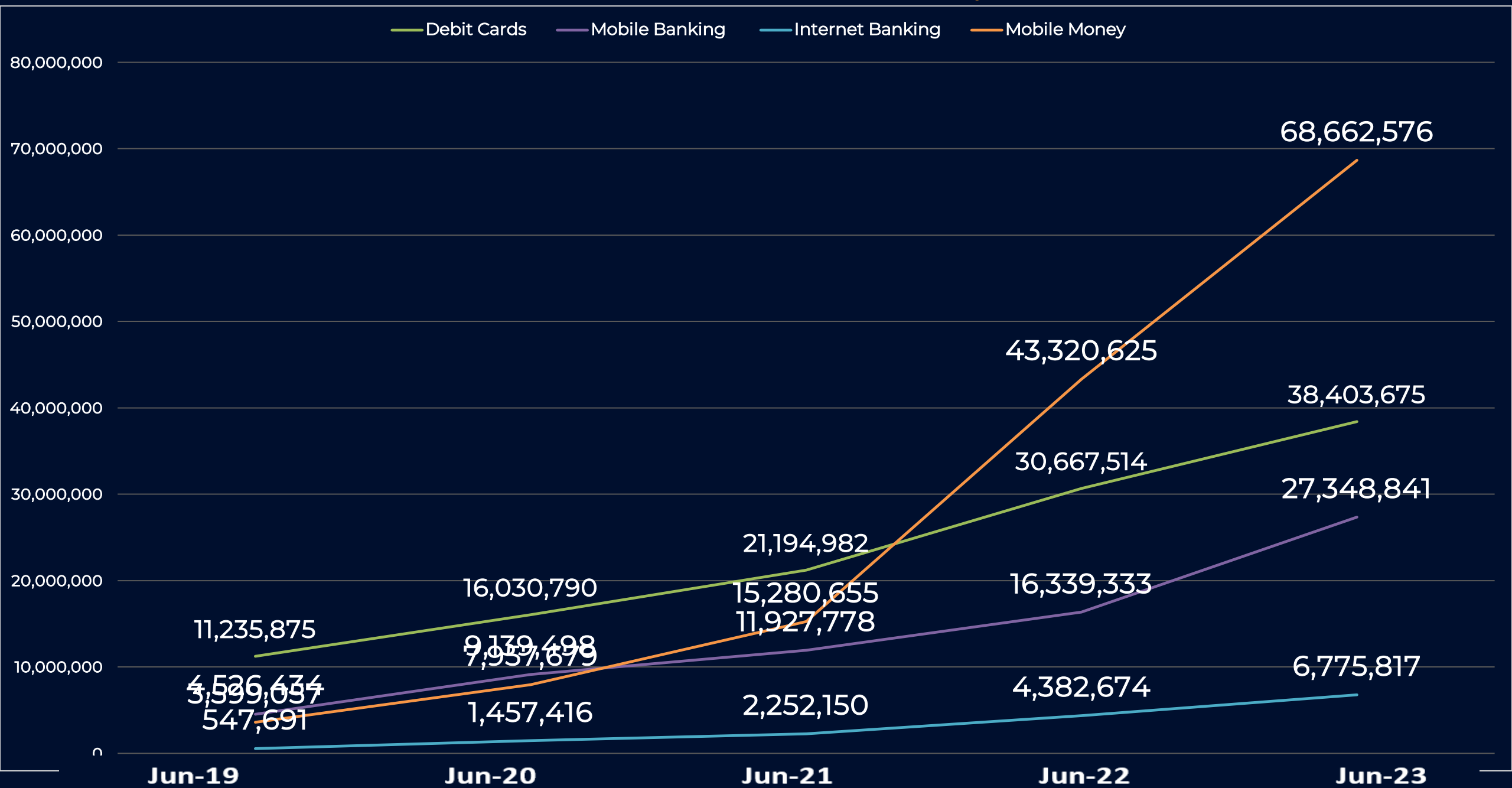


Financial Transaction Trend (Value In Billion Birr)

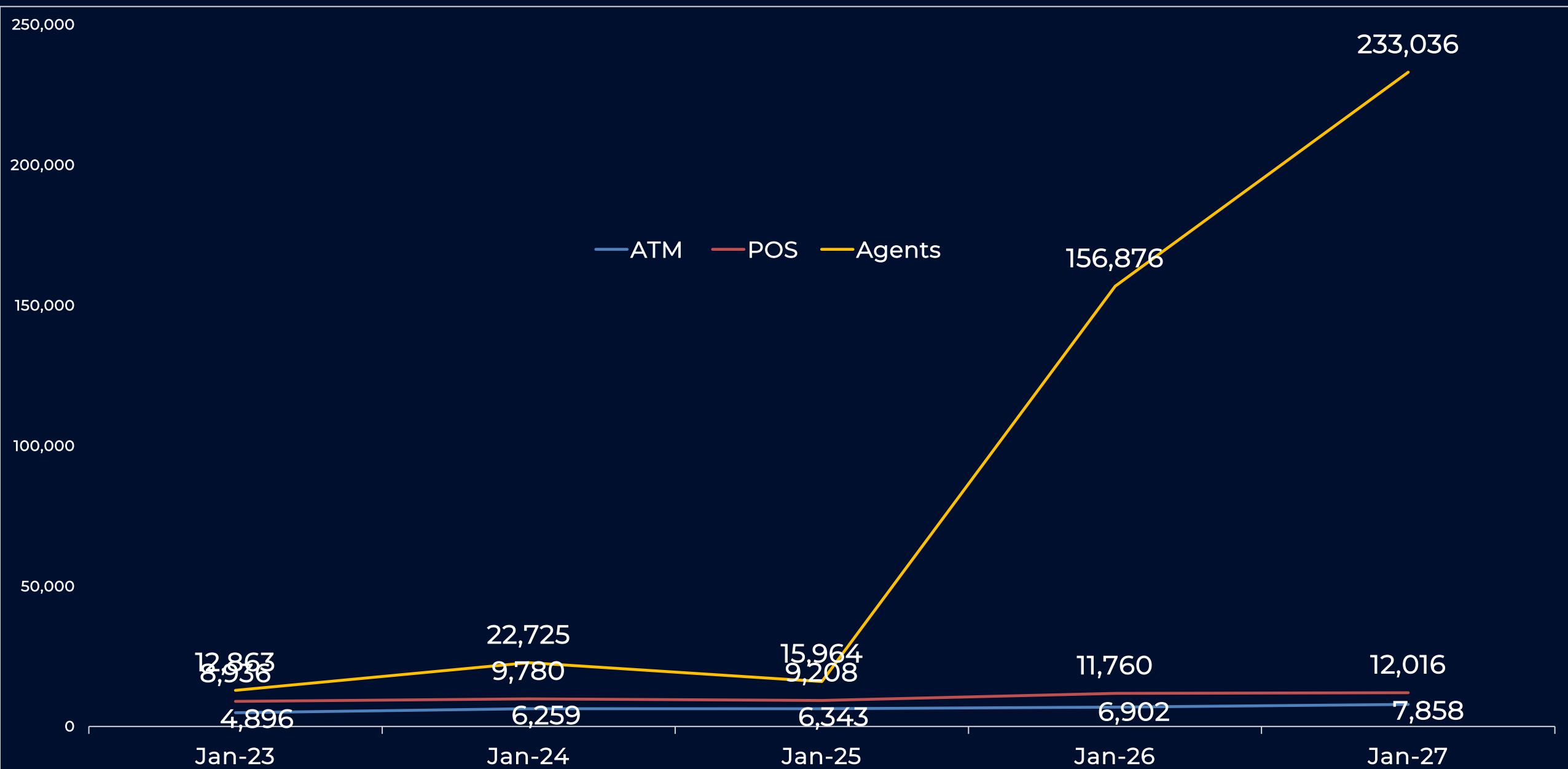
Jun-19 Jun-20 Jun-21 Jun-22 Jun-23



Financial Inclusion – Accounts Opened



Financial Inclusion Trend: Access Points

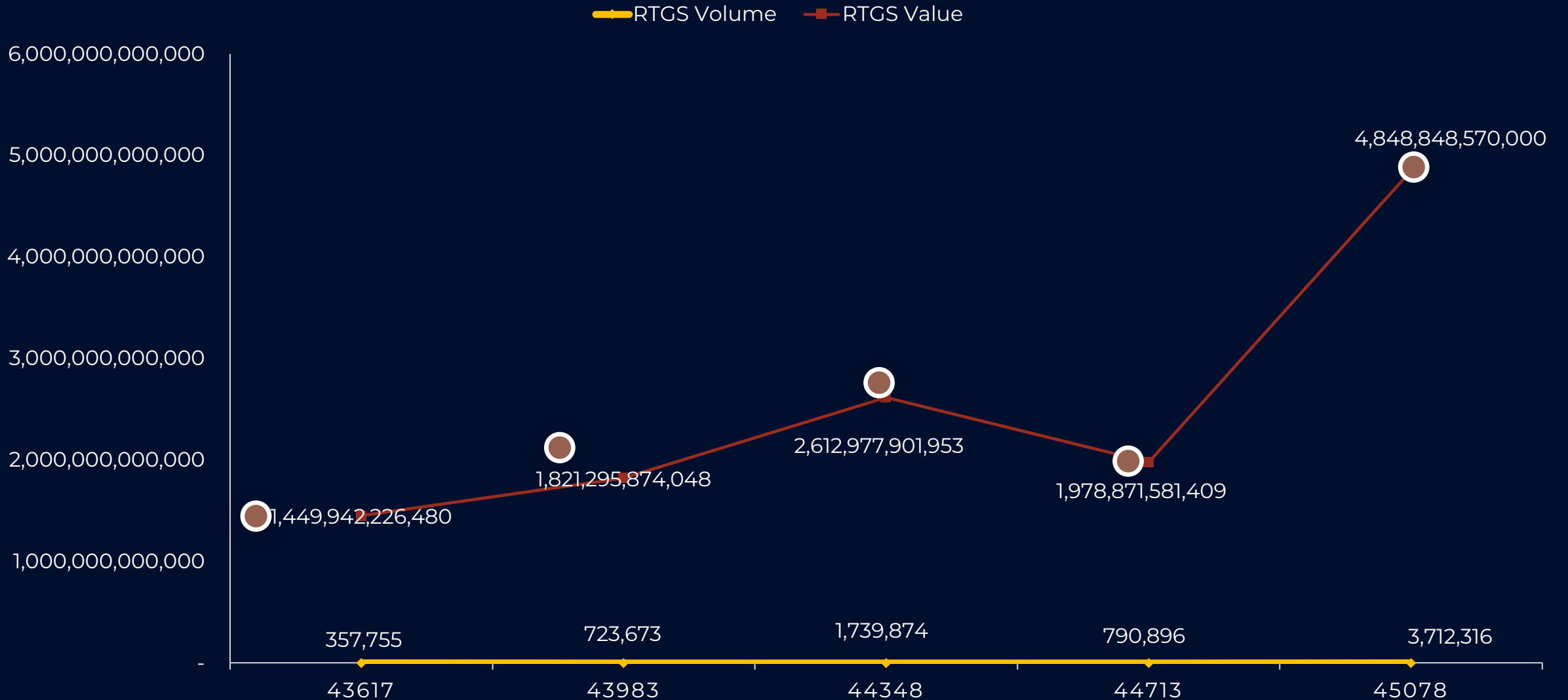


RTGS: The Backbone

- Over 3.7 million transactions per Year
- 5 trillion birr processed annually, a 35% Y – o – Y growth.
- 99.9% system availability with no downtime.
- 34+ Participants.
- Run 6 days per week and 9 hours per day and
- Companied both RTGS and ACH
- Systematically important system for the economy



RTGS Aggregating Digital Transfers



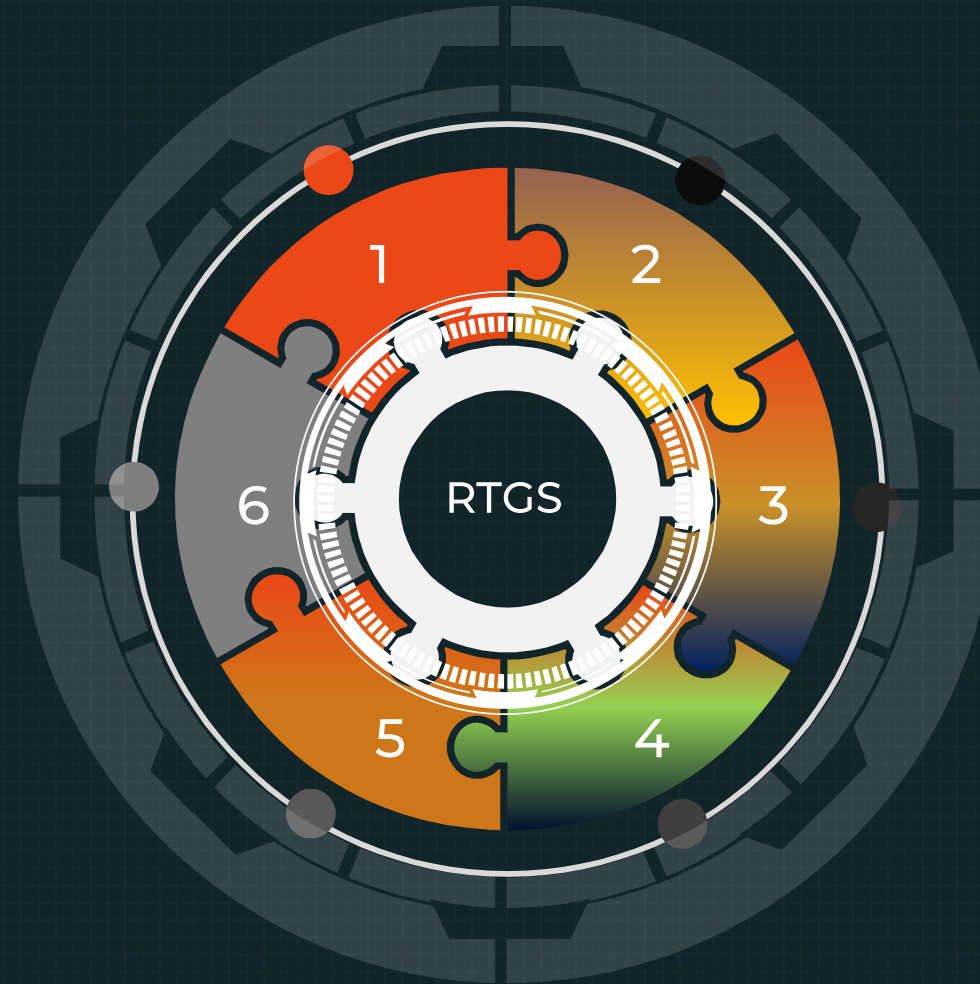
Core Platforms of the Ecosystem



1 *Commercial Banks: Core banking System*

3 *Mobile Money: Agent Networks & Super app*

5 *Payment Processors: Digital Access Points and acceptance*



2 *Automated Clearing House (ACH): Checks, DD, CT*

4 *National Switch: Interoperability & Shared Platform*

6 *Payment Aggregators*

*Oversight and Compliance
National Bank of Ethiopia*



Key Highlights



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Trillion birr Annual value of digital transaction

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Billion birr Digital Micro-Credit per year

1.2

Billion number of digital transaction per year

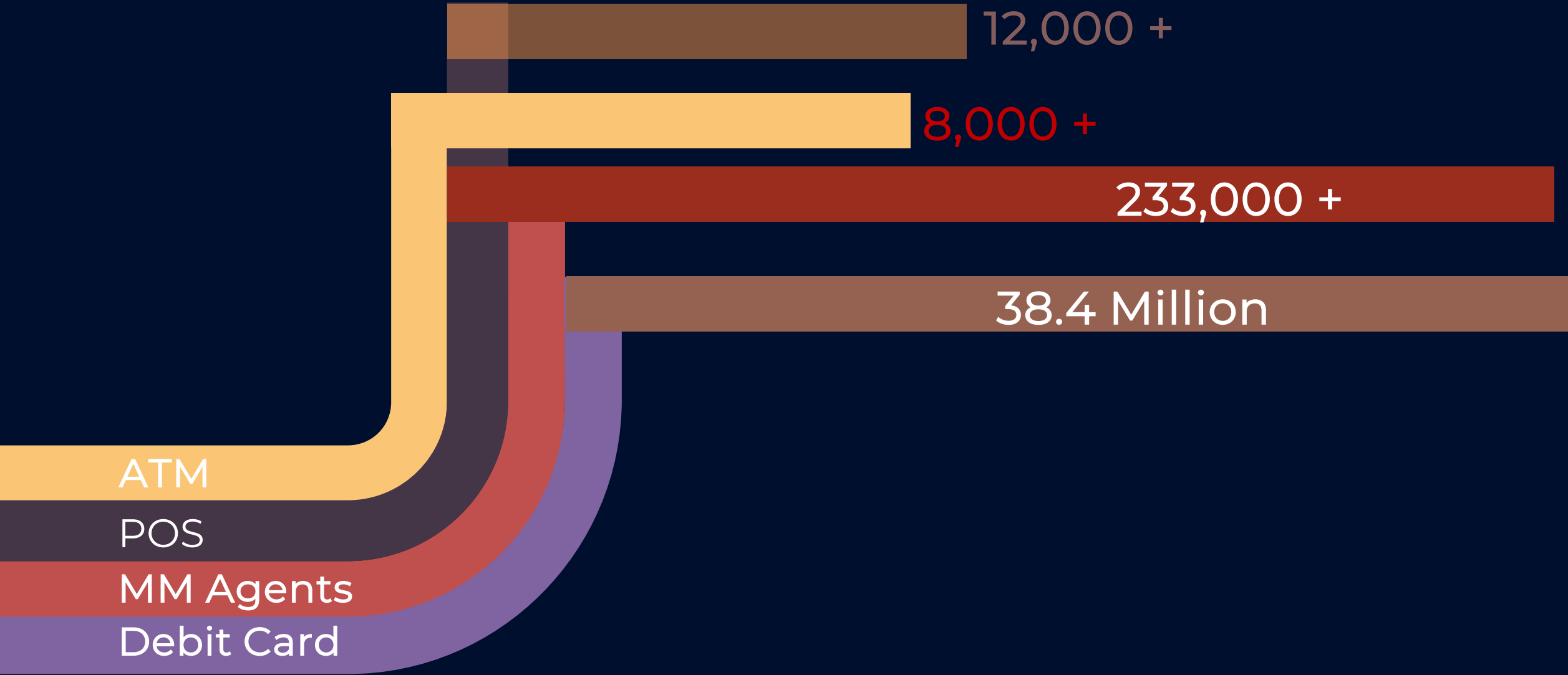
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Non-bank Digital Financial Service Providers

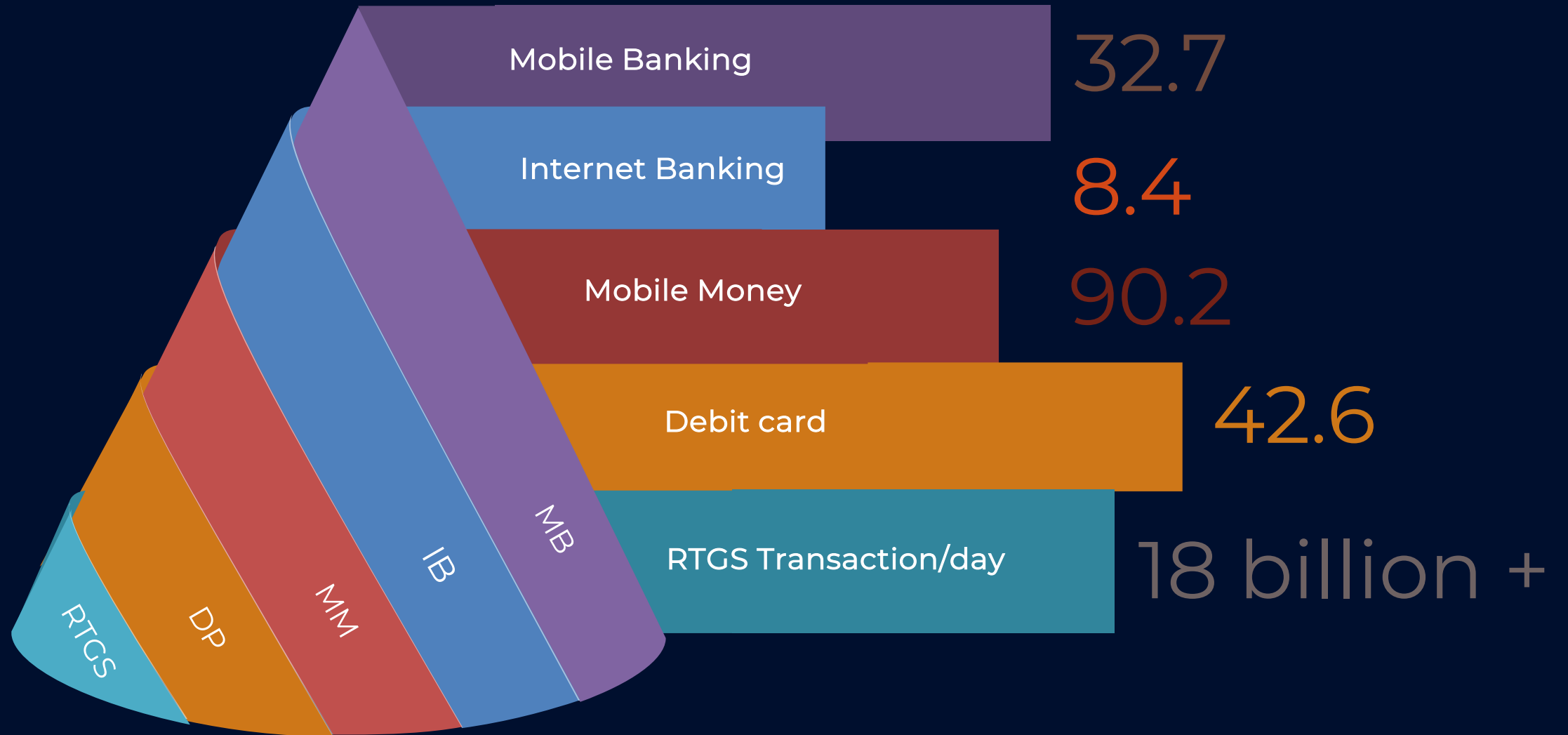
205.6

Billion birr interoperable value of transaction per year

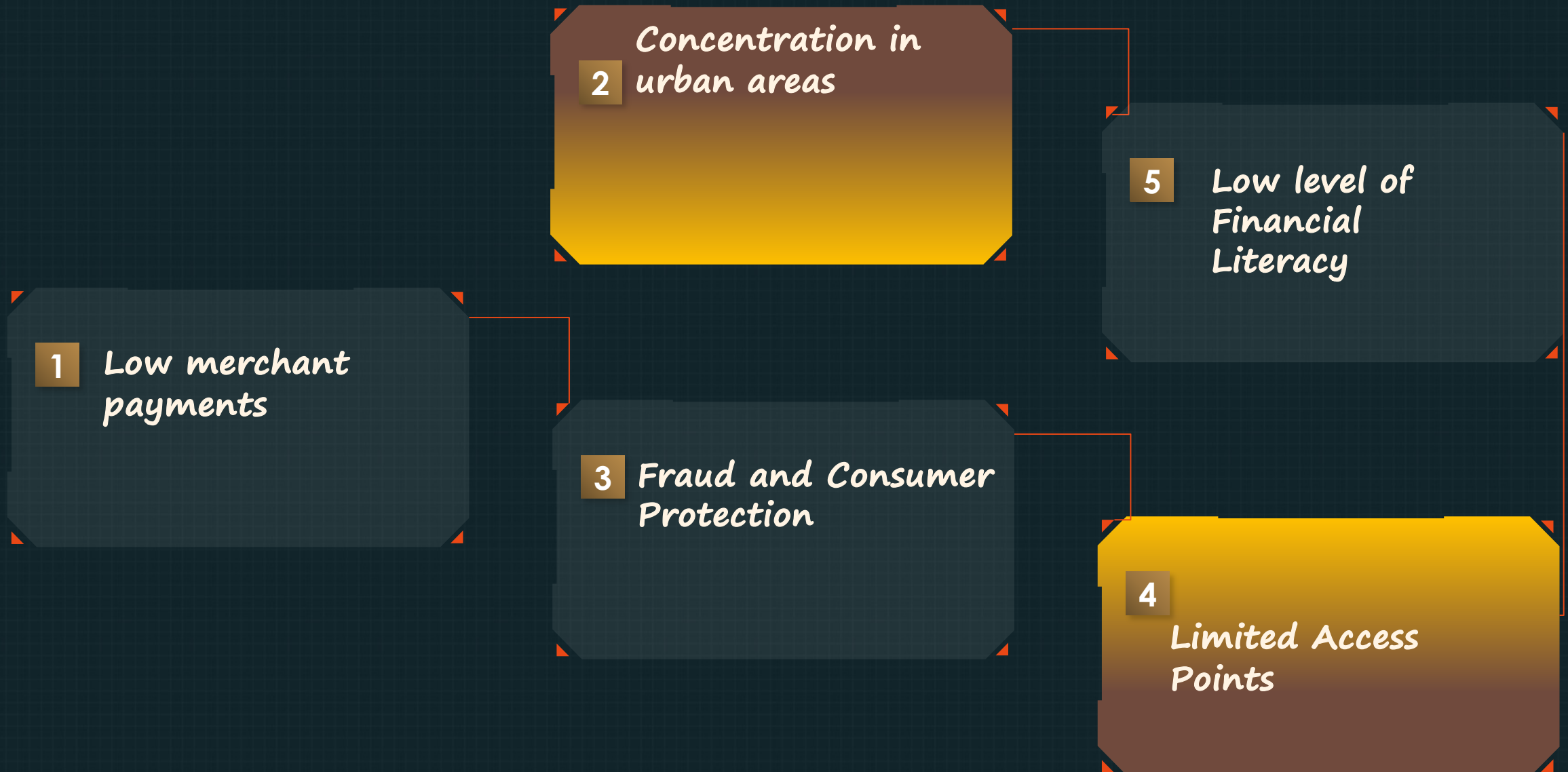
Key Takeaways



Summary: Progress in Numbers



Challenges Ahead

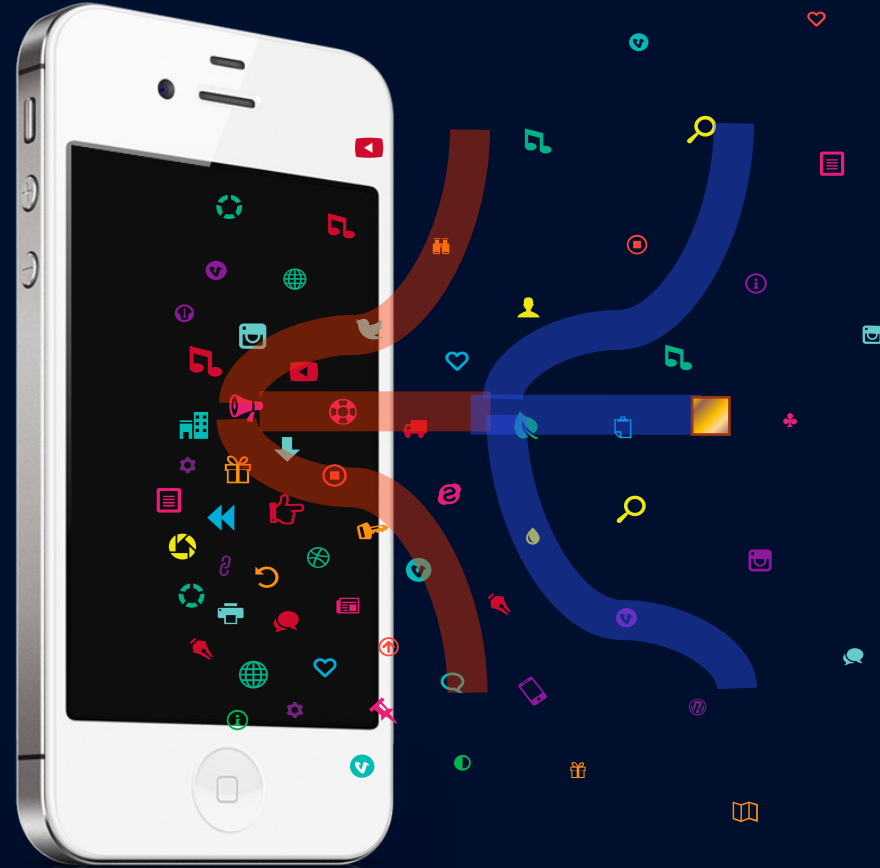




*The Future of Financial eco
System in Ethiopia*



Supper Apps Revolutionizing the Payment Industry



Advancing a cashless Ethiopia: digital transformation of the financial ecosystem

- Accelerating Digital Financial Services Adoption across all sectors
- Leveraging Digital Public Infrastructure (DPI) for new and innovative financial services
- Leveraging Interoperability to enhance affordability and convenience
- Enhancing Trust in Digital Payments:
- Enhanced and unified payment infrastructure that complies with international standards:



Key Focus Area Ahead





**ETHIOPIA
DIGITAL
PAYMENT
CONFERENCE**

THANK YOU

