

Fintech & Digital Economy  
The Ethiopian Perspective

July 2020

YOUR VISION, OUR PROCESS



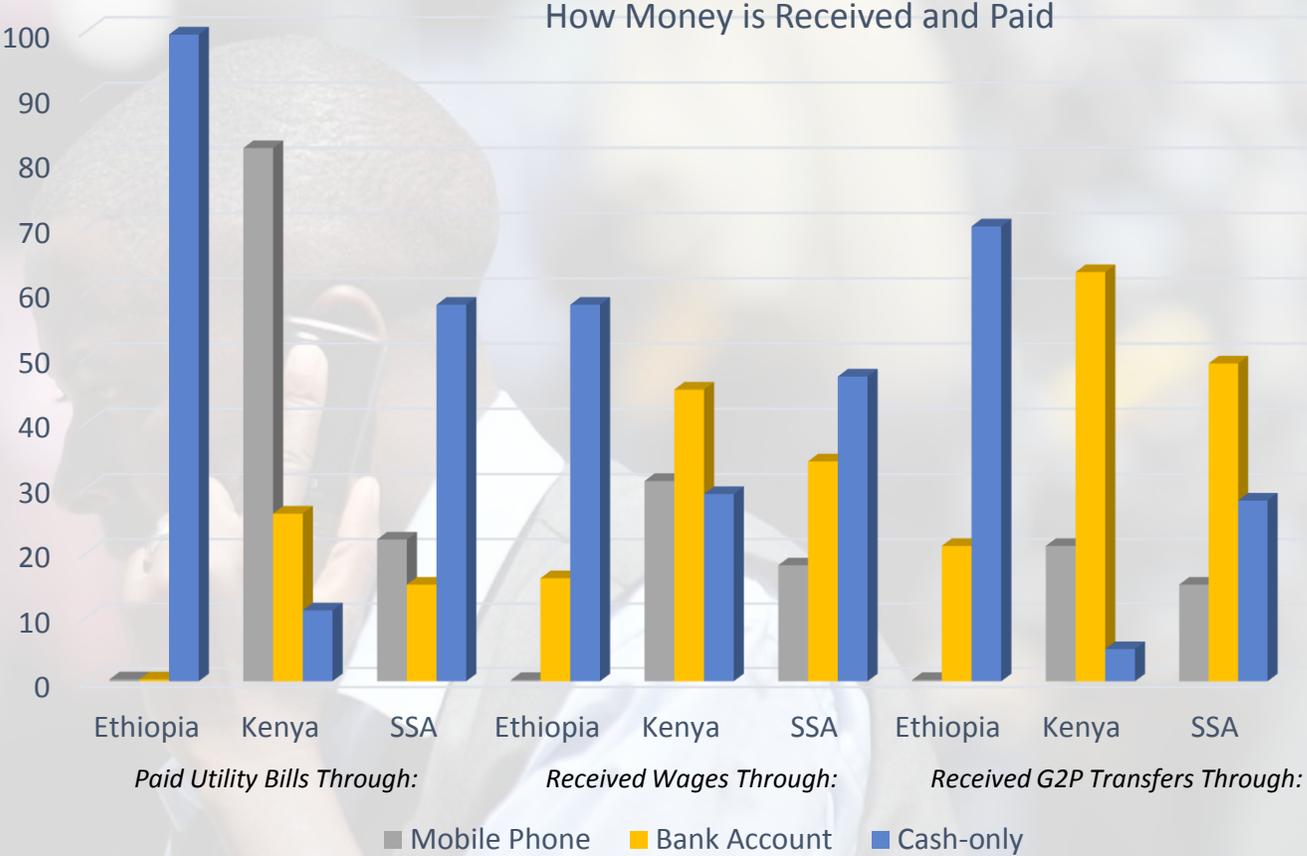
# Context: East Africa and Fintech

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.

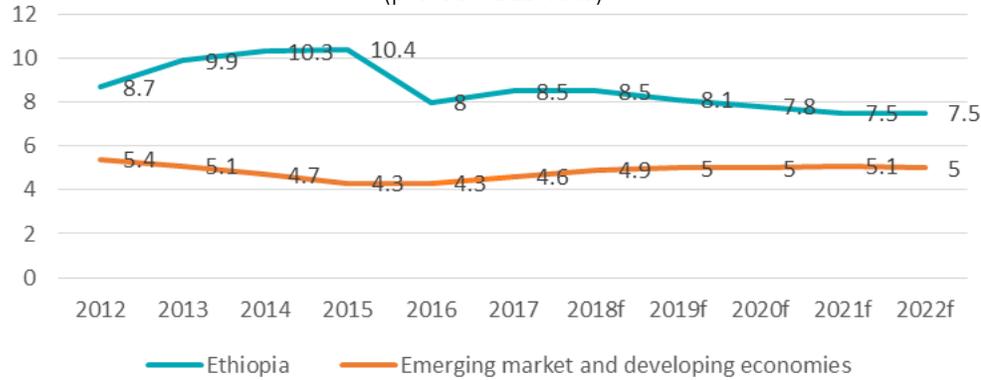
Ethiopia, a primary case study in this report, remains to be a country with a singular dependency in cash-only transfers, as the chart clearly illustrates. However, important driving factors of fintech adoption are already prevalent in the country, some of which are the demographic trends as the second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

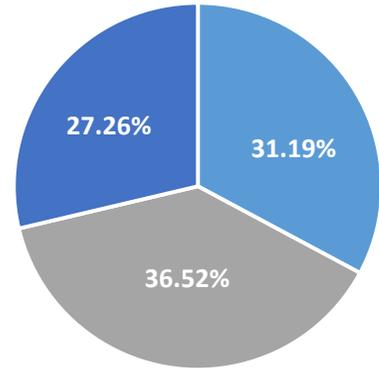
Real GDP Growth %  
(pre-COVID19 data)



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).

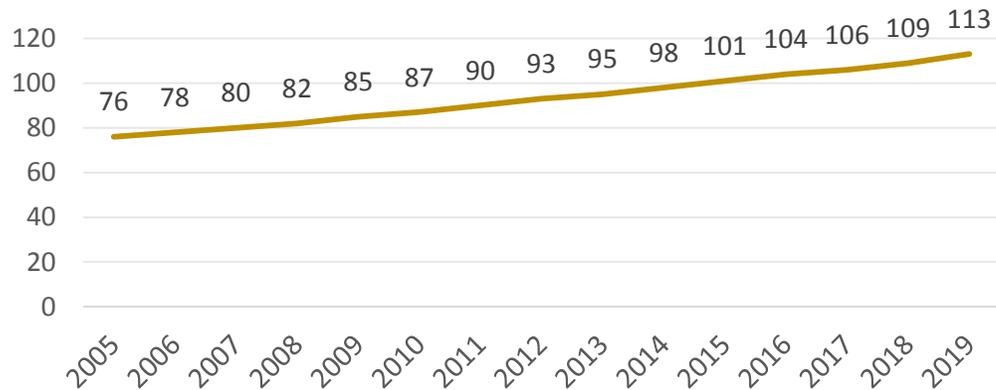
GDP By Sector (2019)  
% share



■ 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)

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

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

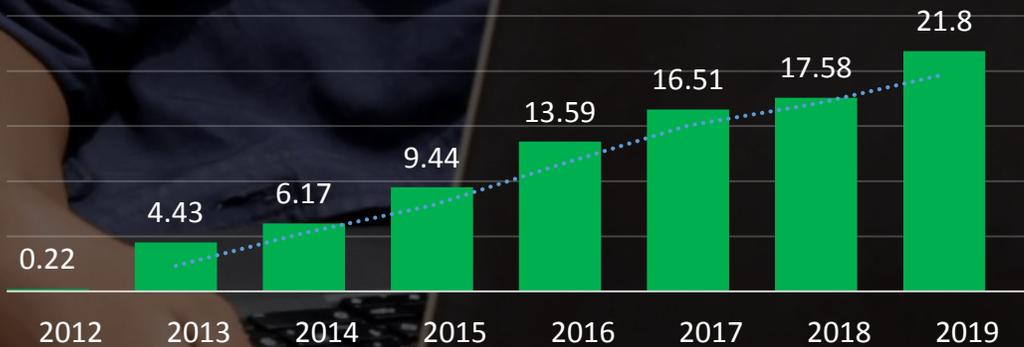


**Urban Population as a % of Total Population**  
21%



**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%

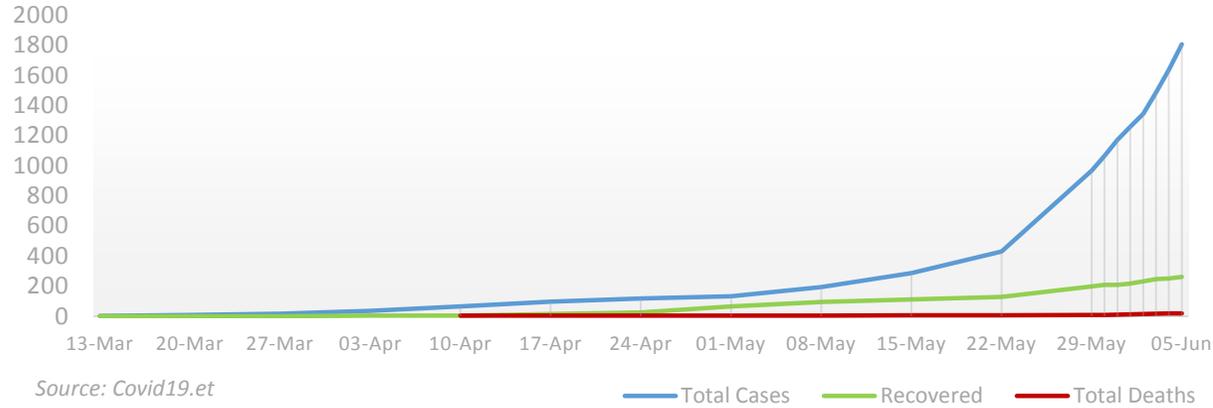


**Other OS devices**  
10.2%

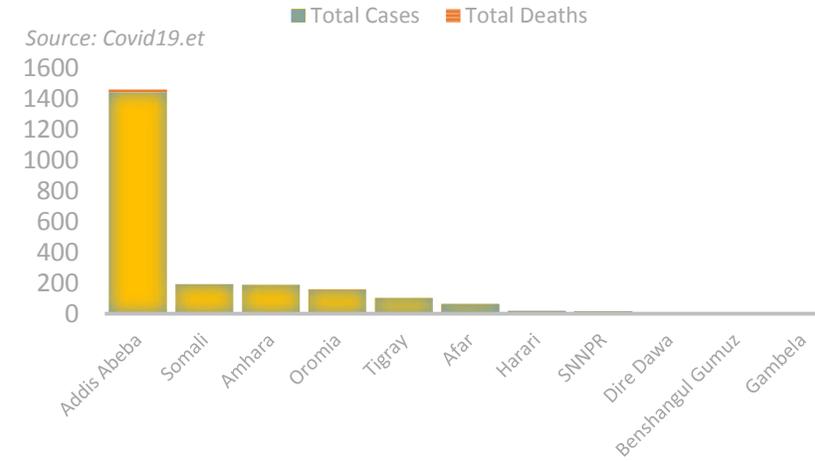
Source: DataReportal, ResearchAndMarkets.com

# 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 7<sup>th</sup>, 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 1<sup>st</sup> 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



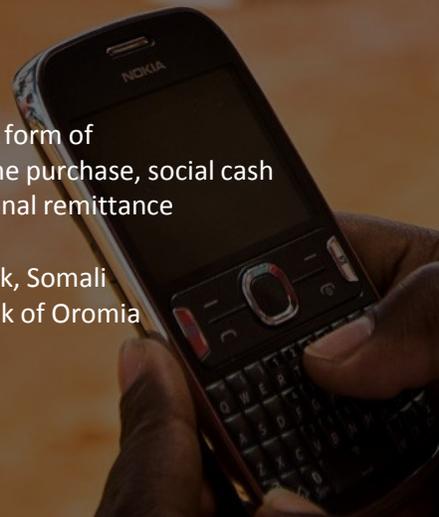
Subscribers



**Services:** online/mobile payment aggregation for e-commerce, delivery & digital services



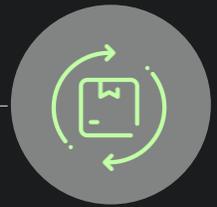
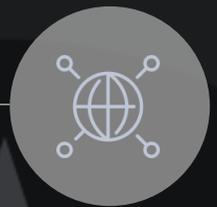
**Partners:** EthSwitch, Derash and 11 banks



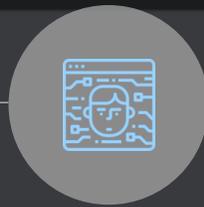
# A National Focus on Digital Economy & E-Government



**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



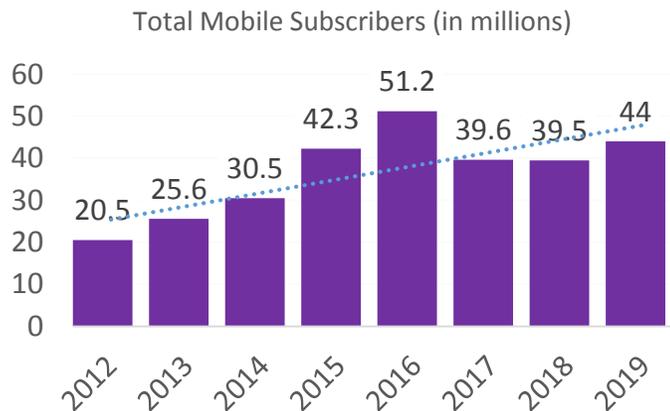
**ICT Park**  
 An ICT Park was established (1<sup>st</sup> phase operational) in Addis Ababa to provide a world-class business environment along with a conducive policy and regulatory framework, state-of-the-art infrastructure and value proposition. More than 20 international and local ICT companies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

# Telecom Sector Overview

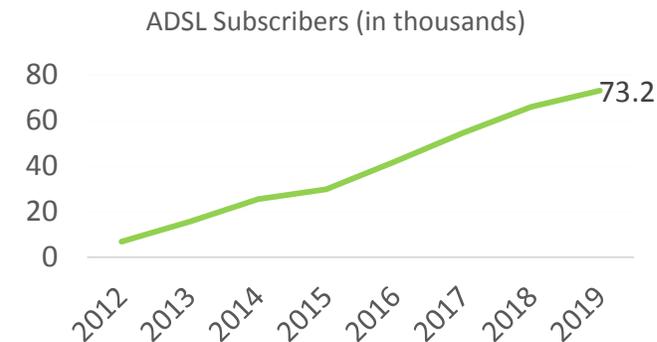
Since its inception, Ethio telecom has remained a state monopoly in a sector that was tightly restricted for private ownership. Many would argue that the monopolistic exercise of the telecom sector has stifled innovation, constrained infrastructure expansion and restricted the provision of varied services.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



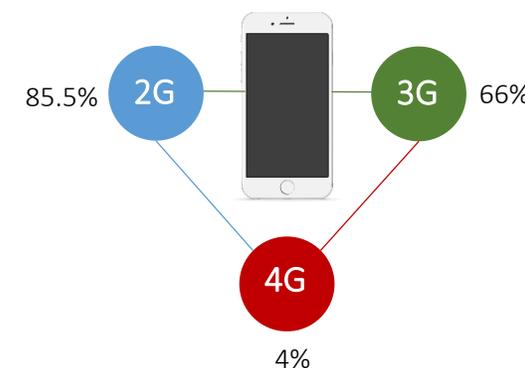
## Key Incentives for Telecom Service Operators

**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, Flocash, meda, AMOLE, PAY, mela, EthioPay, VISA, MasterCard

### TRANSPORTATION

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

### TRAINING & SUPPORT

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

### AGRI-TECH

GebeyaNet, CTA, VERAS, GREENPATH, AFRICA, MICROSOFT

### JOBS

sira, ethioJobs, helloSera, task moby, AddisJobs, employ Ethiopia, ZionJob, ETCAREERS

### E-COMMERCE

QEFIRA, Addis Mercato, HelloMarket, Addis Mart, KIKUU, EthioSuQ, (SO)reDoks, zambil, Deliver Addis, Brundo, Fetan, AFRICA eSHOP, www.utopia.et, BEAMAT, SHEGER.NET, asbeza.net, ETHIO SELL BUY

### HARDWARE & SOFTWARE

AISHA, apposit, ZALATECH, FAIRFAX Technologies, WS WebSrix, HUAWEI, ZTE, TECNO mobile, ERICSSON, TANA MOBILE, itel, CNET, G-TIDE, 360 GROUND

### ECO-FRIENDLY

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

### FUNDERS & INVESTORS

Betam, PRAGMA, Shell Foundation, villgro kenya, RENEW, USAID, cerberus, FINNFUND, INJINI, UNDP, 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)

# 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



**H.E. 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



**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, Vidityre 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.



**Kalid Mawi**

Partner & Principal

☎ +251929092161

@ kalid.mawi@pragma-advisory.com



**Mered Besrat**

Partner & Principal

☎ +251920722281

@ mered.besrat@pragma-advisory.com



**Natnael Ketema**

Project Consultant

☎ +251912069290

@ natnael@pragma-advisory.com



**Egziharya Haile**

Advisory Associate

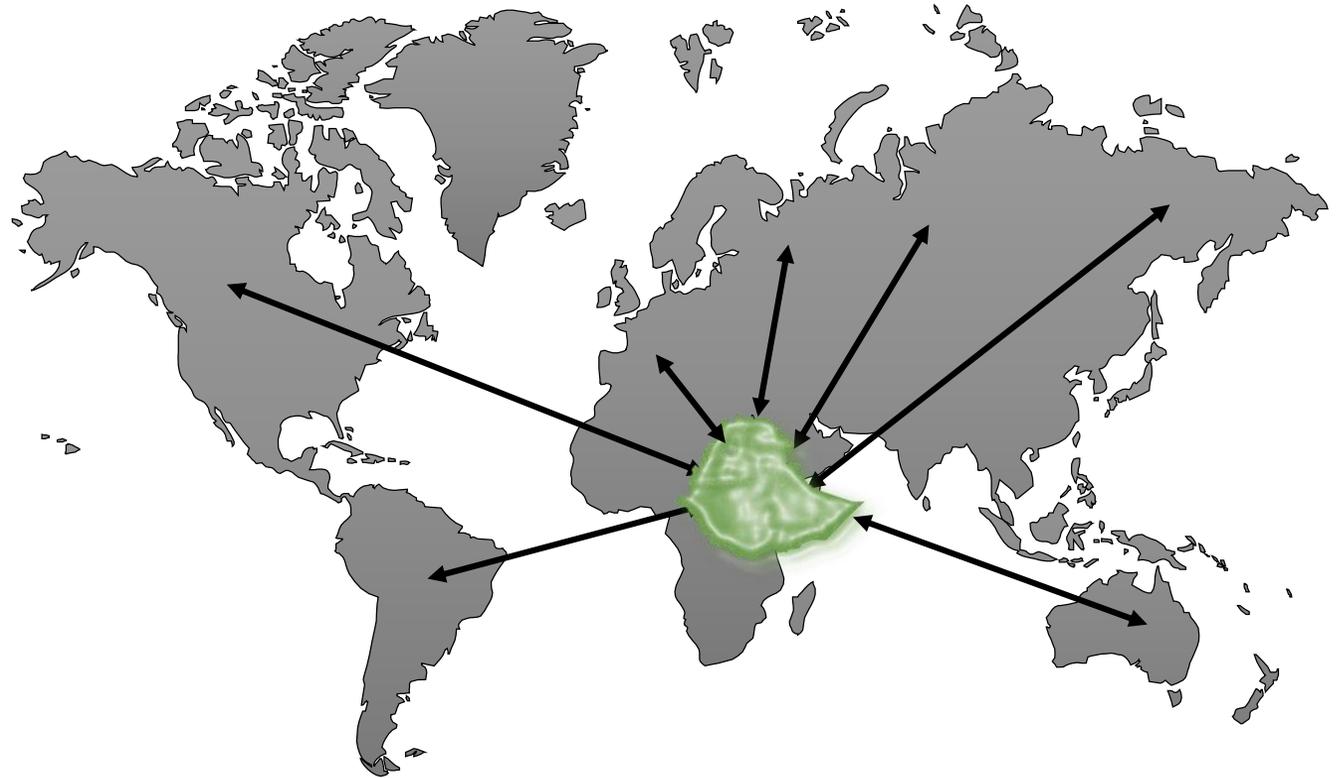
☎ +251910462064

@ egziharya@pragma-advisory.com

## Pragma Investment Advisory

Aster Plaza - 3rd Floor  
Gabon Street  
Addis Ababa  
Ethiopia

T +251 929-09-21-61  
T2 +251 920-72-22-81  
E-mail [info@pragma-advisory.com](mailto:info@pragma-advisory.com)  
[www.pragma-advisory.com](http://www.pragma-advisory.com)



© 2020 Pragma Consulting PLC. All rights reserved.

Pragma Investment Advisory is a boutique business and financial advisory firm with a primary focus on developing strategic entry and growth planning for individuals and companies demonstrating investment interest in Ethiopia. Our firm is run by principal advisors who have established strategic alliances with highly-qualified consultants whose professional backgrounds range from working for some of the big 6 financial advisory firms to Emerging Market-focused private equity companies.

**PRAGMA**  
**INVESTMENT ADVISORY**  
YOUR VISION, OUR PROCESS