

National Financial Inclusion Strategy-II

2021-2025

September 2021



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National Bank of Ethiopia

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Abbreviations

AEI	Association of Ethiopian Insurers
AEMFI	Association of Ethiopian Micro Finance Institutions
ATA	Agricultural Transformation Agency
ATM	Automatic Teller Machine
AYII	Agricultural Yield Index Insurance
B2G/G2B	Business to Government/ Government to Business
BCG	Boston Consulting Group
BMGF	Bill and Melinda Gates Foundation
CBE	Commercial Bank of Ethiopia
CBHI	Community-Based Health Insurance
CCE	Crop-Cutting Experiment
CGAP	Consultative Group to Assist the Poor
CGS	Credit Guarantee Scheme
CPFED	Consumer Protection and Financial Education Directorate (within NBE)
CRB	Credit Reference Bureau
CSA	Central Statistical Agency
DBE	Development Bank of Ethiopia
DFS	Digital Financial Services
DOE	Directorate of Electrification (within MOWIE)
EBA	Ethiopian Bankers Association
ECA	Ethiopia Communications Authority
EIC	Ethiopian Investment Commission
e-KYC	Electronic Know Your Customer
e-Money	Electronic Money
EoDB	Ease of Doing Business
ESS	Ethiopia Socioeconomic Survey
ETB	Ethiopian Birr
FCA	Federal Cooperative Agency
FIF	Financial Inclusion Fund
FIRST	Financial Sector Reform and Strengthening Initiative
FIS	Financial Inclusion Secretariat
FISC	Financial Inclusion Steering Committee
FISIWG	Financial Inclusion Special Intervention Working Group
FSMMIPA	Federal Small & Medium Manufacturing Industry Promotion Authority
FSR	Financial Sector Reform
G2P/P2G	Government to Person / Person to Government
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
HGER	Home-Grown Economic Reform
HiFi	Harnessing Innovation for Financial Inclusion
HSTP	Health Sector Transformation Plan
JCC	Jobs Creation Commission
KYC	Know Your Customer
LSMS	Living Standards Measurement Study

M&E	Monitoring and Evaluation
MABL	Movable Asset-Based Lending
MCR	Movable Collateral Registry
MFI	Micro Finance Institution
MGS	Mutual Guarantee Scheme
MInT	Ministry of Innovation and Technology
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOF	Ministry of Finance
MOP	Ministry of Peace
MOR	Ministry of Revenue
MoTI	Ministry of Trade and Industry
MOWCY	Ministry of Women, Children and Youth
MOWIE	Ministry of Water, Irrigation, and Energy
MSME	Micro, Small and Medium Sized Enterprises
NBE	National Bank of Ethiopia
NCFI	National Council for Financial Inclusion
NDPS	National Digital Payments Strategy
NDS	National Digital Transformation Strategy (Digital Ethiopia 2025)
NEP	National Electrification Plan
NFES	National Financial Education Strategy
NFIS	National Financial Inclusion Strategy
OECD	Organization for Economic Co-operation and Development
OOP	Out of pocket
P2P	Peer to Peer / Person to Person
PAJC	Plan of Action for Job Creation
PDC	Planning and Development Commission
PDP	Product Development Partnership
PEPE	Private Enterprise Program Ethiopia
PMO	Project Management Office
POS	Point of Sale
PP	Percentage Points
PPP	Public- Private Partnership
PSI	Policy Studies Institute
PSNP	Productive Safety Net Program
PII	Payment Instrument Issuer (also Electronic Money Issuer)
RUFIP	Rural Financial Intermediation Program
(Ru)SACCO	(Rural) Saving and Credit Cooperative
SACCO	Savings and Credit Cooperative
SDG	Sustainable Development Goals
SHG	Self Help Group
SHI	Social Health Insurance
SMEFP	Small and Medium Enterprise Financing Program
SNNPR	Southern Nations, Nationalities, and People's Region
SOE	State Owned Enterprise
TIN	Tax ID Number

TOR	Terms of Reference
UNCDF	United Nations Capital Development Fund
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
WASH	Water, Sanitation, and Hygiene
WBG	World Bank Group
WEDP	Women's Entrepreneurship Development Program
WEF	World Economic Forum
WFIF	Women's Financial Inclusion Framework
WII	Weather Index Insurance

Foreword

Financial inclusion is an essential prerequisite for sustainable development, inclusive growth and will be a fundamental enabler for the stability of the financial system, job growth, digital transformation, and our country's continued economic development.

Over the past ten years, the country's economy has averaged double-digit growth, lifting many Ethiopians out of poverty and improving lives across the nation. Increased financial inclusion for all Ethiopians has been an important factor in this achievement, and continued expansion of financial services will be essential for maintaining the momentum. Recognizing that sustainable, broad-based economic growth and poverty reduction will be challenging without continuing the advancement of scale, depth, and quality of financial services across the country, the Government of Ethiopia identifies increased financial inclusion as a national priority.

Ethiopia has made major advances in financial inclusion in recent years. A Refreshed National Financial Inclusion Strategy has been developed to build on this momentum, and capitalize on new opportunities. With the National Financial Inclusion Strategy (NFIS) 2016, ratified by the Council of Ministers, Ethiopia strengthened its commitment to financial inclusion as a strategic priority – across ministries, other government institutions, and the private sector. In response to actions undertaken since then, financial inclusion levels have increased markedly – from 22% to an estimated 45% in 2020. By building on this momentum and capitalizing on new opportunities, including mobile money, Ethiopia will drive financial inclusion further. Doing so will require dedicated and sustained efforts and investments, especially in rural areas and for women and other underserved demographics. Expansion of innovative products and services (both conventional and sharia compliant), including digital finance, will require regulatory adjustments as well as expanded consumer protection and digital literacy efforts – while achieving universal scale will require strengthened financial institutions and payments instruments issuers.

Technological advances and our country's strong economic and demographic foundation offer a chance for rapidly-increasing financial inclusion levels, with the potential to transform the Ethiopian economy. Many countries in Sub-Saharan Africa are among the international leaders in financial sector innovation, in particular for digital and mobile finance. Ethiopia has the potential to learn from, catch up to, or even overtake many of these countries and become a financial inclusion leader. Our large, young population will be both a strong workforce and a large consumer base. The rapid economic development will drive demand. Continued advances in infrastructure, especially in electricity and mobile connectivity, will serve as foundational enablers. Ongoing and future reforms of the financial sector will further unlock our country's innovative powers, and targeted interventions will create and derive business cases for financial inclusion.

This Revised National Financial Inclusion Strategy charts a path for scaling, deepening and cut-cross programs and actions to boost financial inclusion during the strategy period and calls for all stakeholders, in particular the financial sector players, commitment and cooperation to make this opportunity a reality.

The Government of Ethiopia (GoE) recognizes the many opportunities and needs for immediate and sustained efforts to increase financial inclusion in Ethiopia. The National Financial Inclusion Strategy 2021-2025 was refreshed in close collaboration with stakeholders across the public and private sector in an effort to define a coordinated plan to transform financial inclusion for millions of Ethiopians. The collaborative effort in developing this Strategy has instilled ownership in all stakeholders, a critical element to drive the implementation of this Strategy and its Actions. Here, we would like to personally thank all stakeholders who availed their treasured time to meet with the NBE team and provide valuable input and insight in the design of this Strategy.

Finally, committed and resolute implementation of this Strategy is critically necessary. We need to act now, together, to make this opportunity a reality.


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Chairperson of the National Council for Financial
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Acknowledgement

The Government of Ethiopia (GoE) has refreshed the National Financial Inclusion Strategy 2021-2025 in close collaboration with all key stakeholders on financial inclusion across Ethiopia. Various institutional and individual counterparts in the public, private, and social sector have been involved throughout the process, and have shared their time, experience and insights to the development of this document. The GoE is extremely grateful to its counterparts for their support and would like to reiterate the commitment to continue to join efforts for the successful implementation of this Strategy. The GoE would also like to sincerely thank its partners, specifically the Bill and Melinda Gates Foundation and the Boston Consulting Group for their support throughout the refreshment process of this Strategy.



Executive Summary

1. Introduction

The National Financial Inclusion Strategy (NFIS) formulated in 2016 came to an end in December 2020. To accommodate changes and the rising new opportunities emerging during this period particularly within the financial sector, align with Home Grown Economic Reforms and with the aspiration to chart with the level of financial inclusion achieved by peers, the Strategy is refreshed to cover a period 2021-2025.

2. Rationale for refreshing the National Financial Inclusion Strategy-II

The main reasons for refreshing the National Financial Inclusion Strategy-II (NFIS) are summarized here below:

First, the rise of new opportunities and enablers within the financial sector: With the existing National Financial Inclusion Strategy (NFIS), Ethiopia strengthened its commitment to financial inclusion as a strategic priority – across ministries, other government institutions, and the private sector. Partly through the implementation of the actions of this strategy, significant progresses and changes that can serve as fundamental enablers to further expanding financial inclusion have been made since then. Remarkable achievements include:

- Amendment of Banking Business Proclamation that, among others, permits the establishment of full-fledged interest free banks;
- Amendment of Insurance Business Proclamation that, among others, permits the establishment of full-fledged microinsurance companies and takaful;
- Issuance of a new proclamation to provide for Movable Property Security Right;
- New and amendment directives¹ on agent banking; financial institution branch opening; Payments Operators and Issuers' Licensing; Financial Consumer Protection; Operationalization of Movable Collateral Registry; Codification, Valuation and Registration of Movable Properties as Collateral;
- Issuance of National Financial Education Strategy;
- Formulation of National Digital Retail Payment Strategy (in the process of ratification);
- The creation of central electronics system for Movable Collateral Registry when collateralized;
- Enhancement of the Credit Reference Bureau; and
- Extension of Rural Financial Intermediation Program (RUFIP) III.

These enablers for financial inclusion were not in existence during the formulation of the 2016 strategy. This has created major restraint on the progress of financial inclusion and lots of opportunities were lost. On the other hand, the reform efforts have significantly changed the financial ecosystem and can be charted to further stimulate and advance financial inclusion, as having direct impact and vast opportunities for the upcoming strategic period.

¹ Respectively: Use of Agents Directive No. FIS/02/2020; Third Amendment of Branch Opening Directive No. SBB/66/2018; Licensing and Authorization of Payment System Operators Directive No. ONPS/02/2020; Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01/2020; Establishment and Operation of Credit Reference Bureau Directives No. CRB/02/2019; Operationalization of Movable Collateral Registry, Directive No. MCR/001/2020;

Second, Homegrown Economic Reform Agenda: New and conducive socio-economic environments that broadly provide with opportunities to further scale up and deepen financial inclusion have been evolving ensuing the Homegrown Economic Reform Agenda (HGER): National Digital Transformation Strategy, “Digital Ethiopia 2025”; Plan of Action for Job Creation; Ministry of Agriculture ten-year plan; to partially privatize Ethio-telecom; National Gender Strategy; Initiative taken for National ID, among others, can be cited. Aligning the financial inclusion efforts with these evolving opportunities drives it to a greater advancement.

Third, completion of most of the actions of the 2016 Strategy: The implementation period for the first National Financial Inclusion Strategy (developed in 2016) ended in 2020. This Strategy had mapped a comprehensive and interrelated framework for defining interventions to advance financial inclusion in Ethiopia: a) Build financial infrastructure; b) Expand innovative products and services; c) Advance financial consumer protection; and d) Promote financial education. Through the execution efforts, around 80% of the total 49 actions of the strategy, charted under the stated interventions, have been completed and produced strong results, with several targets exceeded. More specifically, the major achievements, besides those highlighted above, include:

- The number of transaction accounts per 100 adults grew by a factor of ~2.4 and now averages 159 transaction accounts per 100 adults, compared to a 2015 baseline of 68².
- Ethiopia has made significant progress in the last six years and increased the financially included adults by more than double i.e. from 22% in 2014 to ~45%³ in 2020. This has exceeded the target by 77%;
- Bank branches grew ~1.7, from seven to twelve branches per 100,000 adults, outperforming the initial target of 8.8 per 100,000 adults. This has exceeded the target by 50%;
- Agent network has grown significantly in the last four years. In 2016, banking and mobile money agents were almost non-existent, with a baseline of three per 100,000 adults. This has increased by a factor of over 25 and reached to 77 agents per 100,000 adults as of 2020;
- Digital finance footprint has increased substantially over the past four years with debit cards growing by a factor of four; over 9 million mobile banking transactions; and 1.4 million online banking transactions;
- In 2016, mobile money was extremely limited, with mobile money wallets making up less than 1% of transaction accounts. Since then, mobile money accounts have increased by a factor of 10, with ~8 million mobile money wallets registered as of June 2020;
- The percentage of Ethiopians reporting saving in formal institutions has risen steeply from 14% to ~30% of people in the past six years; and
- The percentage of adults reporting having a loan at a regulated financial institution rising slightly to 11% from a baseline of 10%.

This Refreshed National Financial Inclusion Strategy, therefore, aimed at building on the success of the first Strategy, and leverages new opportunities to chart a path for the next 5 years (2021-2025).

Forth, aspiration to further advance financial inclusion: Although Ethiopia has been advancing by more than double in the past five years, the level of financial inclusion compared with benchmarked

² NBE supply side data

³ Findex 202 was not conducted due to COVID-19. For the purpose of this document, the level of financial inclusion is estimated to be 45% based on past Findex data (22% in 2014 and 35% in 2017) as well as using the percentage point increase by LSMS

counties, however, indicates that Ethiopia has scale and vast opportunities to grow across several indicators.

Building on these successes and capitalizing on new and emerging opportunities, Ethiopia can further advance the level of financial inclusion and can follow the foot-steps of regional peers e.g. 83% for Kenya and 77% for Rwanda⁴; compared to ~45% for Ethiopia.

Fifth, lack of focus on severely underserved regions and areas; widening gap between men and women financial inclusion; low level of development and expansion of digital financial services including mobile money; and under developed sharia compliant financial products and services have been identified as the main and forefront challenges that negatively impact further advancement of financial inclusion in Ethiopia. In addition, new opportunities have been emerging following the implementation of the first NFIS which can be capitalized on and mapped to further scale up and deepen financial products and services such as saving, credit and insurance. Translating these opportunities into reality requires strategic actions and steps as learned from the preceding strategy. Therefore, this strategy, NFIS-II (2021-2025), is aiming to further advance financial inclusion through exploring new and looming opportunities and taking a strategic path in addressing the identified problems and challenges.

In a nutshell, refreshing the existing strategy becomes necessary to chart new programs, actions as well as targets for the next five years (2021-2025) taking into account of shifts in the overall economic context – including greater digital capabilities, regulatory changes, strong private sector growth, and other socio-economic developments – that glow up new prospects to further advance financial inclusion in Ethiopia. Enhancing digital payments and agent-based financial services; driving financial inclusion in very rural and underserved areas; reducing the financial inclusion gender gap; driving sharia compliant financial products and services; and advancing financial education and consumers’ protection will be central to financial inclusion efforts going forward.

3. Baseline

In addition to the rationales discussed under sub-section 2 of this section, the vision and mission of the NFIS should and need to be clearly defined together with strategic priorities, actions and the implementation modalities based on experiences and best practices. The National Financial Inclusion Strategy (NFIS) 2016 had developed a comprehensive framework for defining interventions for financial inclusion. This framework remains in place, albeit with slight revisions. The revised framework that this Strategy leverages recognizes three fundamental types of interventions:

- consumer protection, capacity building and market interventions;
- financial infrastructure, including financial access points; and
- innovative products and services.

⁴ Kenya: FinAccess 2019; Rwanda: FinScope 2020

In principle, dedicated actions for each type of specific financial service – payments, conventional and Sharia compliant savings, credit or insurance – within each of the three interventions of the framework are needed. For instance, actions on product innovation e.g. for credit, differ significantly from the actions needed in those pillars for improving access to payments services. The result can be visualized as a matrix (Figure 1).

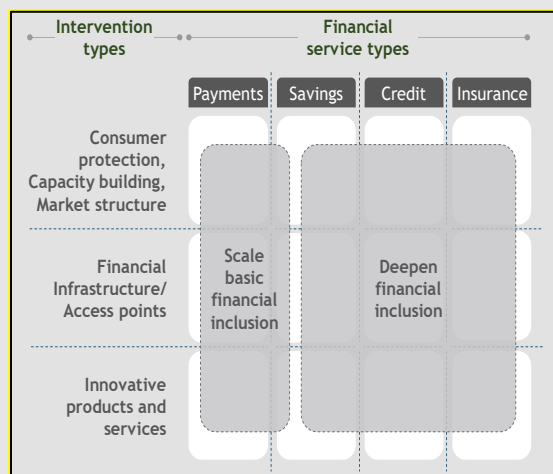


Figure 1: Strategic framework for NFIS 2020

Actions defined within this Strategy cover each cell of this framework. However, prioritization is key for ensuring resources and efforts are channeled into those areas with the most urgent need for action and largest opportunity for impact. Thus, the vision, mission, specific strategic priorities have been defined within three specified approaches: Scale up, deepening and cross cutting enablers. Different programs have also been formulated each followed by specific actions as charted in the following sections.

4. Vision, Mission Approach and Strategic Directions

The primary steps in this strategy are to identify programs and actions which would bring high impact on financial inclusion in Ethiopia. In this regard, and under the inspiring vision, mission and strategic approaches, strategic priorities have been identified under interrelated three different approaches: scaling, deepening and cross cutting enables for financial inclusion. As indicated in this section, for every priority actions, and under different programs, actions that run up to 7 have been mapped.

4.1. Vision and Mission

Vision: Financially inclusive Ethiopia

Mission: Scale up and deepen financial inclusion to ensure 70% of adults are included by 2025.

The Vision driving this strategy has been conceptually formulated to reflect three basic ideas:

- **Universality:** No Ethiopian adult should be left behind from financial inclusion;
- **High-Quality:** Suitable infrastructure and products & services designed to ensure informed financial decision-making, combined with financial education and financial consumer protection to improve every Ethiopian’s financial life; and
- **Sustainability:** Active transaction accounts with on-going usage through economically and socially sustainable scale up and deepening of the financial inclusion.

Achieving this financial inclusion Vision will be a key enabler for sustainable development. Financial inclusion features as a target in eight of the seventeen Sustainable Development Goals⁵ and will serve as a foundational enabler and catalyst for four key national priorities:

⁵ Including the SDGs on eradicating poverty; ending hunger; achieving food security and promoting sustainable agriculture; ensuring health and well-being; achieving gender equality and economic empowerment of women;

- **Make Ethiopia’s financial system more safe and sound** by leveraging improved financial infrastructure, strengthened financial institutions, and thorough consumer protection to ensure confidence and expand the savings and deposit base in a responsible and sustainable way⁶
- **Create jobs & drive economic growth** by reducing barriers to accessing credit, especially for MSMEs, women, and low-income households, and leveraging innovative business models⁷
- **Reduce poverty** through increasing the economic resilience of low-income households via savings and insurance coverage and enabling them to fully participate in formal economic markets⁸
- **Enhance capabilities for digital innovation** with mobile money and other forms of digital finance, strong use cases, and training grounds for product innovation⁹

4.2. Strategic Approach and Directions

The Mission for the next five years – 2021 to 2025 – thus is to scale up and deepen financial inclusion to ensure 70% of adults are included by 2025. This mission expresses a three-step approach to financial inclusion:

4.2.1. Advancing Scale for Financial Inclusion

Rapidly reaching scale in basic financial inclusion means converting as many financially-excluded people as possible – especially women and the rural poor – into first-time users of financial services. In practice, this will largely mean expanding mobile money and other transaction-enabling accounts as the most attractive entry point for financial inclusion with corresponding financial access points (often via agent networks). Special approaches are defined for extremely underserved, highly rural areas – where fundamental enablers such as mobile coverage and penetration, and electrification may be limited, and digital transaction-based financial inclusion is unlikely to work in the short term; other special approaches are also leveraged for women, who face unique and significant barriers to inclusion. Driving sharia compliant financial products and services would also be mapped to reap the evolving opportunities in this area.

In prioritizing scale via mobile money and digital transactions, this Strategy incorporates learning’s from various countries in Sub-Saharan Africa and Asia.¹⁰ The path to financial inclusion that this Strategy charts also recognizes that learning’s from these countries, as well as advances over the past years, position Ethiopia well for rapidly scaling digital payments and mobile money, potentially leapfrogging intermediate phases.

promoting economic growth and jobs; supporting industry, innovation, and infrastructure; and reducing inequality. UNCDF, “Financial Inclusion and the SDG”; UNSGSA, “Igniting SDG Progress Through Digital Financial Inclusion”

⁶ This is a key element of the National Bank of Ethiopia’s Mission, see “Mission of the Bank”

⁷ Leveraging past achievements for job creation and sustainable growth is a core national priority. The Homegrown Economic Reform Agenda lays out this goal

⁸ The Government of Ethiopia has adopted poverty reduction as its number one Sustainable Development Goal, with the aim of eliminating extreme poverty by 2030, see Sustainable Development Goals, United Nations Ethiopia
⁹ “Digital Ethiopia 2025”, Ethiopia’s national strategy for achieving digital transformation at a national scale, recognizes financial inclusion as an important enabler

¹⁰ Case studies provided in this document that support this finding include Ghana, Uganda, China, and India. See section 2.2 for details.

4.2.2. Deepening financial inclusion

Initial scale of financial inclusion is reached primarily for (digital) transactions and mobile money. Deepening this means expanding the services that are accessible for newly-included population to cover productive credit, conventional and interest free saving and micro-insurance in addition to payments and accounts as basic stores of value. Gender-intentionality, a clear focus on the needs of the rural poor, and Sharia-compliant products and services across all Actions are integral elements to deepen financial inclusion as well.

4.2.3. Advance Financial Education and Consumers Protection-Cross Cutting Enablers

Due to lack of capability, most adults do not have trust and confidence to carry out transactions with formal financial institutions and heavily dependent on informal sector which is proved to be expensive, not efficient, sustainable and risky. Approximately 50% of adults in Ethiopia also do not know how to open an account with regulated financial institutions. Curbing these long standing states require building the capability of adults and ensuring their trust and confidence in the financial institutions through a well-planned and coordinated programs charted under a defined approach, and mapped with specific actions and targets.

This Strategy recognizes a range of existing national strategies and frameworks, crucially including Financial Consumers Protection Framework, the National Digital Payments Strategy (NDPS), the National Financial Education Strategy (NFES), and the Rural Financial Intermediation Program (RUFIP) III. Plan of actions developed here are carefully aligned with these and other relevant strategies, and implementation will be coordinated accordingly.

4.3. Strategic Priorities and Programs

4.3.1. Scaling financial inclusion

Four strategic priorities for scaling financial inclusion (A1-A4) have been identified. First, digital financial inclusion – especially via mobile money and agent networks – will be a key priority going forward, and will be essential in unlocking not only urban, but most peri-urban and rural areas. Second, dedicated solutions will be developed for the most underserved, least developed parts of Ethiopia, likewise leveraging digital where possible. Third, financial inclusion for women will be prioritized, and a gender-specific lens is incorporated into all major elements of this Strategy. This will intersect with the focus on digital and the most underserved areas to ensure that new digital approaches include a gender lens as an essential element. A particular attention is paid to women in rural Ethiopia, who tend to be doubly disadvantaged. Fourth, a program has been charted to promoting sharia compliant financial products and services.

Actions to achieve these four priorities have been defined and grouped into corresponding Programs. The Programs and individual Actions within them are designed to jointly reinforce each other and ensure truly inclusive basic financial services at scale across the country.

Program A1: Drive digital payments by scaling mobile money

Digital finance and mobile money at scale have been a key driver of financial inclusion across Africa and Asia, but are still at an emerging stage in Ethiopia, with a very limited number of agents and less than 10% of adults using mobile money. Thus, driving non-cash payments with focus on digital finance and mobile money is a key priority, including dense agent networks built on the backbone of robust branch network coverage.

Work in response to the NFIS 2016 has laid crucial regulatory foundations, including the Payment Instrument Issuers Directive and Use of Agents Directive. Actions defined by the National Digital

Payment Strategy will expand those foundations, in particular with respect to payments infrastructure, regulatory improvements and licensing of Payments Instrument Issuers. In addition, existing and planned improvements with respect to basic infrastructure – such as electricity, mobile coverage and penetration, and national ID – are crucial enablers. Taking into account these achievements and plans, this Program identify four priority actions and two initiatives:

1. Enable sustainable digital payment agent network expansion by leveraging and supporting viable business cases;
2. Roll out digital payment agency service for SACCOs and MFIs;
3. Integrate and roll out digital payments (focused on mobile money) across priority G2P/P2G and social/humanitarian payments;
4. Develop and implement targeted and responsible awareness creation campaign on mobile money and agent use;
5. Expand payment schemes such as real time, national payment gateway, interoperability, and QR code (initiative); and
6. Expand ATMs, POS devices and internet banking services (initiative).

Program A2: Drive financial inclusion in underserved areas

Challenges and opportunities for financial inclusion vary heavily with location-specific factors. Expanding financial inclusion in severely underserved areas poses a particular challenge due to fundamental disadvantages relating to wealth, infrastructure and economic activity. Unlocking the potential of financial inclusion to contribute to a broader uplift of such areas requires targeted solutions for financial inclusion at regional and woreda-level. Developing these solutions is another key priority.

This Program therefore identifies six priority Actions:

1. Expand “traditional” financial infrastructure¹¹, especially bank and MFI branches, to cover severely underserved woredas as key enablers for agent networks and digital finance;
2. Design and pilot dedicated financial access approach for low-readiness areas to improve economic viability, including dedicated capability building;
3. Conduct studies to promote and expand traditional financial products and services that meets the needs of respective regions;
4. Establish Regional Council for Financial Inclusion (RCFI);
5. Establish Regional Financial Inclusion Task Forces and design and publish Financial Inclusion Framework. and
6. Formulate and implement financial inclusion framework that is conducive and aligned to the circumstances of the regions

Program A3: Drive financial inclusion for women

The financial inclusion gender gap in Ethiopia has been growing over the past six years and now stands at 19 Percentage Points (up from 2PP in 2014). This is the second highest gender gap among benchmarked countries in Sub-Saharan Africa. The development in Ethiopia as well as in benchmarked countries – with some countries’ gaps continuing to close, others continuing to grow – shows that Ethiopia’s gender gap is unlikely to be closed by generic actions aimed at financial inclusion. Gender-intentional action (action designed specifically for reducing the existing gender gap, potentially including advocacy, regulatory interventions, policy design and more) therefore is a strategic priority.

¹¹ Other programs such as DFS and financial education will be carried out in parallel under their own respective programs.

To follow through on this priority, this Strategy takes gender intentionality as an overall focus, and specific actions and lenses are included throughout all Programs to ensure that all products, services, & channels (across savings, credit, and insurance), and general initiatives are designed with women in mind from the beginning. The overarching task of this Program, therefore, is to ensure and coordinate gender-intentional actions across all Programs and outside the NFIS, encompassing all efforts for scaling and deepening financial inclusion.

In addition to this cross-cutting coordinating function, the Program identifies four priority Actions and three Initiatives:

1. Establish a knowledge base on women's unmet financial needs and barriers to financial inclusion;
2. Launch women's account enrollment and educational outreach campaigns with a prioritized focus on youth, linking to NFES;
3. Promote at least ¼ of the Senior Management (VP and Directors) of the financial institutions to be women, who will be mainly dedicated to promote women financial inclusion;
4. Promote at least one woman to have a seat on the board of the financial institutions;
5. Study and formulate a policy to encourage and motivate women financial inclusion, such as allowing increased saving interest rate (Initiatives);
6. Study and establish credit guarantee scheme dedicated to women financing (Initiatives); and
7. Study and establish wholesale funding dedicated to women financing (to address liquidity issues of lending institutions, (Initiatives).

Program A4: Drive Sharia compliant financial access points

Expanding access points would create conducive environment to scale up sharia compliant financial transactions. Sharia compliant financial products and services providers i.e. Banks, Microfinance institutions, insurers and lease companies particularly those who stand with a full-fledged status will be coordinated to expand their branch outlets around feasible areas especially where Muslim community dominates. In view of these, the following three priority actions under this program have been formulated:

1. Enhance ecosystem for Sharia-compliant financial access points and digital financial services by conducting a study, and designing interventions to drive scale;
2. Expand branches of financial institutions as an access point for sharia complaint products and services; and
3. Promote Sharia-compliant transaction accounts.

4.3.2. Deepening Financial Inclusion

Five strategic priorities for deepening financial inclusion have been identified. One of the Programs (B0) aims at creating the necessary foundations that will be carried out in parallel with efforts to scale (Program A1-A4). The Programs corresponding to the other five priorities focus on achieving product-specific deepening and will be executed as planned under Programs B0, B1, B2, B3 and B4.

Program B0: Lay foundations for deepening of innovative financial services and create momentum- Conventional and Sharia Compliant

Compared with payments, financial inclusion with respect to both conventional and sharia compliant-credits, and insurance in Ethiopia are currently at a relatively lower level of maturity. As described previously, this is generally in line with development sequences in other countries in Africa and Asia. Enabling this progression from the first Stage of scaling basic (payments-focused) financial inclusion to

the second Stage of deepening to savings, credit and insurance requires significant preparatory work. In addition, leveraging existing products and services, initial momentum for greater deepening must be generated immediately, including by continued outreach and awareness-raising. Thus, completing these deepening preparations in parallel with efforts directed at scaling payments-focused financial inclusion is a strategic priority.

The corresponding Program identifies four priority Actions:

1. Enhance and consolidate the regulatory and supporting environment for financial services beyond payments to facilitate digital channels and innovative offerings;
2. Enhance savings and pension ecosystem and offerings with focus on innovative products and mobilization outreach;
3. Enhance productive credit ecosystem and offerings through credit information and movable asset-based lending; and
4. Enhance micro-insurance ecosystem and offerings via business case and index data infrastructure.

Program B1: Deepen formal savings

Ubiquitous formal savings are important in their own right – serving to make people’s lives safer and more stable by building household assets, smoothing consumption, and protecting families from emergencies. Moreover, savings expansion is a prerequisite for credit expansion via increased liquidity of the financial system . While ~62% of Ethiopians report having saved in some form in the past year, only ~30% have saved with a formal financial institution. Thus, there is significant room for shifting savings into the formal sector, thereby increasing benefits for savers and liquidity in the financial system.

The corresponding Program identifies four priority Actions and one Initiative:

1. Promote digital savings;
2. Carry out studies to introduce private pension scheme particularly for low income people;
3. Expand traditional financial savings;
4. Promote all G2p and P2G payments¹² to be made through bank and MFIs accounts; and
5. Work on members of cooperatives, Edir, community saving (Equb), Community health insurance scheme and others to promote account opening and savings with financial institutions (initiative).

Program B2: Expand access to credit

Although Ethiopia’s total credit volumes to the private sector have grown significantly over the past years (+28% annually between 2016 and 2020¹³), MSMEs, the agricultural sector, and lower-income households have not benefitted proportionally, with limited access to credit being a major barrier to growth for the majority of MSMEs.¹⁴ Making financing more widely available - while ensuring consumer protection and sufficient literacy - for these key excluded segments is therefore a strategic priority within the effort to deepen financial inclusion.

The corresponding Program identifies three priority Actions and two Initiatives:

¹² G2P, G2B, B2G, B2P, B2B, P2G, P2B,P2P

¹³ NBE supply-side data June 2020, compound annual growth rate of total lending amount to private sector

¹⁴ SME Finance in Ethiopia: Addressing the Missing Middle Challenge, World Bank 2014; Prime Minister’s Office Homegrown Economic Reform Agenda 2019; Jobs Creation Commission Plan of Action for Job Creation 2019

1. Increase financing options for the “Missing Middle” (integration with RUFIP III and other strategies);
2. Promote responsible digital micro-credit products with appropriate guardrails;
3. Promote movable assets as collateral for loan;
4. Study to increase financing options for cooperatives (initiative); and
5. Study to increase financing options for households (initiative)

Program B3: Develop a strong micro-insurance system

Similar to savings, microinsurance is an important contributor to making people’s lives safer and more stable, and is also often a precondition for access to credit, namely via insured collateral. Insurance coverage has been growing over the past years, but still remains relatively low at ~7% of adults holding some form of insurance. Furthermore, the insurance market for the agricultural sector and MSMEs is very nascent despite the high risks faced by enterprises in these critical segments. Thus, increasing insurance coverage against major risks, especially for low-income households (life, health, etc.) plus the agricultural sector and MSMEs is a strategic priority.

The corresponding Program identifies four priority Actions and one Initiative:

1. Scale national agricultural insurance (integration with MOA strategy and RUFIP III);
2. Promote market entry and innovation in micro-insurance, including via InsurTech;
3. Promote insurance for movable assets that serve as collateral for loan;
4. Expand and strengthen access and distribution channels for microinsurance; and
5. Link Edir to the formal financial system (initiative).

Program B4: Drive Sharia compliant financial products and services

Sharia compliant savings, financing, takaful and pension mobilization have been limited due to ineffectiveness of products, channels, and approaches to draw short and long-term savings from emerging businesses and low-income populations. Sharia compliant finance has its own products, services and contracts that differ from convention financial products and services. Some of these include *Mudharabah* (profit sharing), *Wadiah* (Safekeeping), *Musharakah* (Joint venture), *Murababah* (Cost & finance), *Ijar* (Leasing), *Hawala* (an international fund transfer system), *takaful* (Islamic Insurance), and *sukuk* (Islamic bonds)¹⁵.

As emerging products and services and to deepen financial inclusion of adults who have been excluded due to religious reasons, the following four priority actions under this program have been mapped:

1. Enhance ecosystem for Sharia-compliant financial products and services by conducting a detailed study, and designing interventions to drive product availability and adoption;
2. Promote Sharia-compliant savings;
3. Promote Sharia-compliant financing and responsible digital micro-credit, with appropriate guardrails; and
4. Promote micro takaful (Islamic insurance).

4.3.3. Cross cutting enabler – Improve Conventional and Sharia Compliant Consumers Protection and Financial Education

¹⁵ Excerpt from Islamic finance products, services and contracts-Wikipedia-https://en.wikipedia.org/wiki/Islamic_Finance_Product...

Program C1: Advance financial education and consumers' protection- Conventional and Sharia Compliant

This program is formulated to promote financial education, conventional and sharia compliant, and consumers' protection and guided by the National Financial Education Strategy (NFES), Financial Consumers Protection framework and Directive that are recently approved by the Board of the National Bank of Ethiopia.

The Program identifies five priority enabling Actions:

1. Create awareness and educate adults on account opening and saving, financing options, digital payments, microinsurance, use of agents and others;
2. Enhance financial literacy for regions, especially for low readiness areas, to expand outreach and promote account enrollment and deepening;
3. Launch special financial education interventions for women, edir etc. to expand the outreach and promote account enrollment and deepening;
4. Promote conventional and Sharia complaint financial education; and
5. Apply conventional and sharia compliant financial consumers' protection including digital financial services.

5. Targets and Indicators

Financial inclusion targets and indicators are crucial for tracking and communicating overall progress against clearly defined goals, understanding the impact of specific actions, and identifying unexpected challenges, opportunities, novel trends, or diverging developments. This Strategy follows a three-tiered approach for target and indicators definition under the demand and supply side (overall target, Head line targets and supporting targets) as indicted below:

5.1. Demand Side Targets and Indicators

5.1.1. Demand Side - Overall Target

Increase the proportion of adults who own a formal financial account from 45% (2020) to 70% by 2025.

5.1.2. Headline Targets

For each of the programs of this strategy¹⁶, demand side headline targets have been formulated as follows:

- **Drive digital payments by scaling mobile money:** Increase digital payments usage rate from 20% of all adults (2020) to 49% by 2025;
- **Drive financial inclusion in underserved areas:** Halve the gap in account ownership between the Emerging Regions average and the national level by 2025¹⁷;
- **Drive financial inclusion for women:** Halve the gender gap in account ownership from its current estimated 19PP (2020) to 10PP by 2025, stopping it from growing by 2023 latest, while maintaining the current near-equal account usage rates;
- **Drive sharia compliant financial products and services:** Increase the scale of sharia compliant account ownership from the current 12% to 18% by 2025.
- **Maximize savings mobilization:** Increase percentage of adults who report using formal savings from 30% (2020) to 40% by 2025; and

¹⁶ Note that no quantitative targets are set for the foundational Program B0 and the Key Strategic Enabler for data collection and analysis

¹⁷ This target will be reviewed and specified by the Emerging Regions & Underserved Areas Task Force

- **Develop a strong micro-insurance system:** Increase the number of smallholder crop and livestock farmers formally insured from the current level¹⁸ in 2020 to 500K by 2025;
- **Increase awareness of adults on financial products and services to 75% in 2025 from 47% in 2019**

5.1.3. Supporting Targets

The headline targets are complemented with supporting and additional supply-side quantitative targets and indicators that help evaluate the impact of individual Actions. Indicators are defined for Actions where quantitative, Action-specific impact data is likely to be available. This would help evaluate the impact of individual actions; also, a larger number of **additional monitoring indicators**, including splits by region, gender, age and others, is tracked regularly. These indicators serve as a basis for designing interventions and understanding root causes in new developments and as an early-warning system for unexpected developments (See Appendix 2 for the detail).

5.2. Supply Side Targets and Indicators

5.2.1. Overall Supply Side Target

Increase transaction accounts per 100 adults to 337 by the end of 2025 from what it was 159 in 2020

5.2.2. Supply side Headline Targets

Supply side headline targets have been formulated for each of the programs of this strategy¹⁹ as listed below:

- Increase digital accounts per 100 adults to 120 by the end of 2025 from what it was 25 in 2020;
- Reduce the transaction account gap of regions to half by 2025 from the national average;
- Increase transaction account per 100 women to 135 by 2025 from what it was 49 in 2020;
- Increase saving accounts per 100 adults to 217 by the end of 2025 from what it was 134 in 2020;
- Increase MSMEs access to credit to 10% of the private sector loan by 2025 from what it was 5% in 2020;
- Increase the number of micro insurance policies to 500,000 by the end of 2025;
- Increase sharia compliant transaction accounts to 10 million from 5.4 million in 2020; and
- Increase the number of adults by 10 million in 2025 who are aware of financial products and services.

5.2.3. Supporting Targets

Similar to the demand side targets and indicators, the headline targets for the supply side are complemented with supporting and additional quantitative targets and indicators that help evaluate the impact of individual Actions. Indicators are defined for Actions where quantitative, Action-specific impact data is likely to be available (See Appendix 2 for the detail)

6. Governance Structure

Building on the structure established with the National Financial Inclusion Strategy (NFIS) 2016, the governance structure for this Strategy will have several fundamental elements:

¹⁸ To be determined based on the baseline

¹⁹ Note that no quantitative targets are set for the foundational Program B0 and the Key Strategic Enabler for data collection and analysis

- **The National Council for Financial Inclusion (NCFI)**, as the main decision-making body accountable to the Office of the Prime Minister for financial inclusion progress in Ethiopia.
- **The Financial Inclusion Steering Committee (FISC)** plays an advisory role, links lead institutions they are repressing and follow up the roles and responsibilities given to it and each of the lead institutions.
- **Regional Council for Financial Inclusion (RCFI)**, as decision making body with respect to the financial inclusion affairs of the region, in consultation with the NCFI and FIS, will be accountable to the NCFI.
- **Regional Financial Inclusion Task Force:** Full time workers that is bestowed with the implementation of the regional financial inclusion activities in consultation with FIS and under the guidance of the RCFI.
- **The Financial Inclusion Secretariat (FIS)** bestowed with the central project management role through coordination, monitoring and evaluation of the entire progress of the implementation of the strategy. Although housed in and hosted by the NBE, FIS will be accountable and report directly to the NCFI.
- **Program Coordinators and Implementers:** Lead program coordinators and implementers, together with working groups, under each of the programs will be assigned under FIS. The overall coordination, monitoring and evaluation process will also be carried out by the M&E Expert.

The NFIS 2020 governance structure is summarized in the image below:

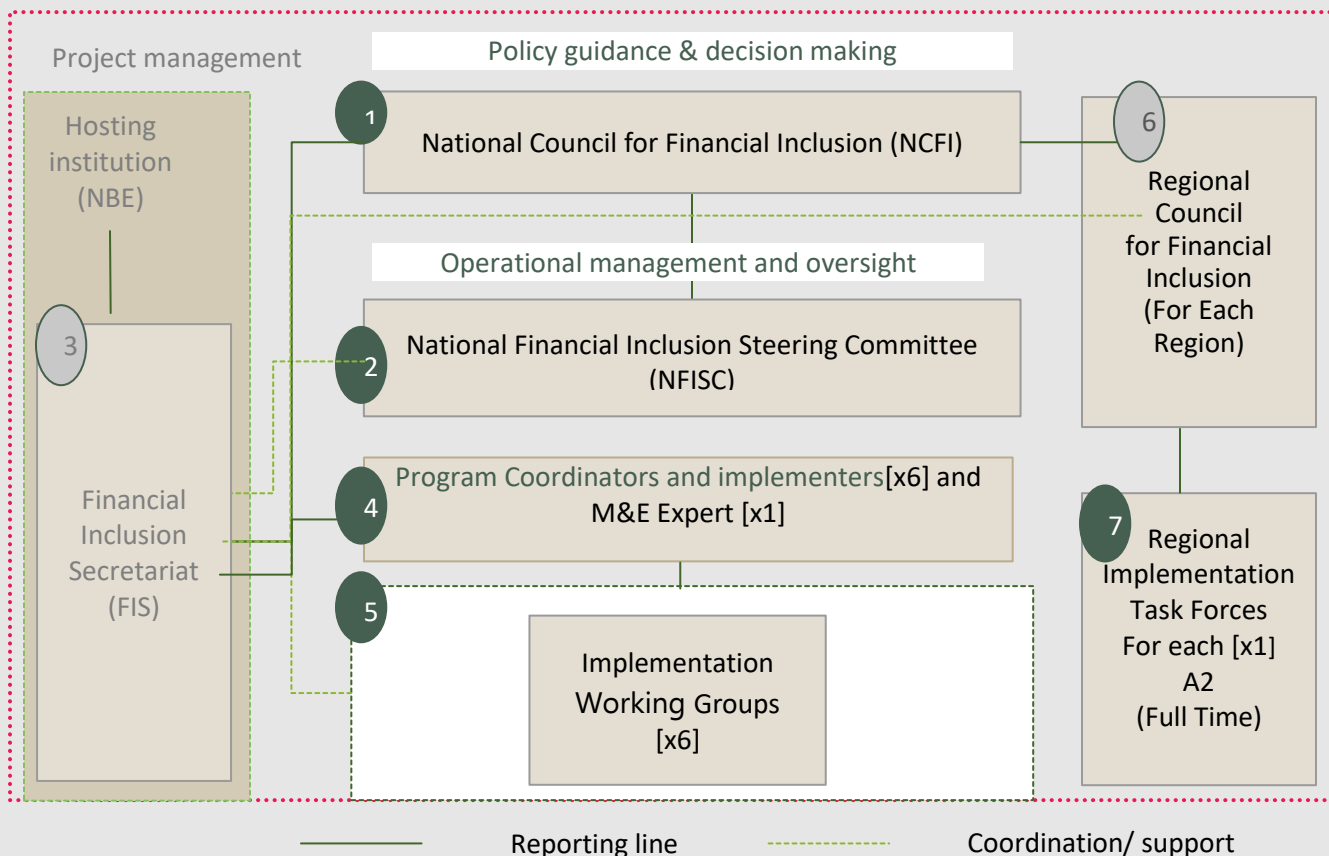


Figure 2: Refreshed NFIS Governance Structure

This proposed governance structure leverages the strengths of the previous structure and addresses identified areas for improvement. Five important changes are incorporated:

- **Expanded project management capacity** by allowing the Financial Inclusion Secretariat (FIS) mainly to focus on financial inclusion coordination rather than direct implementation, and by capability-building for FIS staff. This will enable the FIS to effectively hold organizations accountable, monitor results, flag implementation challenges, and coordinate across stakeholders.
- **More effective and targeted decision-making** by strengthening active advisory role for the Steering Committee and Program-level implementation teams (with leadership representation) to ensure decision making and guidance at a Program level.
- **Intensified involvement of, and coordination with, financial inclusion ecosystem** by re-establishing Implementation Groups for each priority Program and expanding their role and standing by increasing meeting frequency, ensuring members have decision-making authority with home institutions, and establishing direct line of communication with Program coordination teams at FIS.
- **Expand regional representation** by establishing Regional Council for Financial Inclusion and a Regional Taskforce that will be fully engaged in the implantation of the financial inclusion actions defined to the region by this strategy.
- **Working Groups /Implementation task force** will be formed to implement each program under the leadership of program coordinators with in FIS. Special Implementation Task Forces are also formed given the greater scope of the actions needed under driving financial inclusions for regional lens Programs.

7. Granular Implementation Action Plan; Monitoring and Evaluation and Risk Mitigation Framework

7.1. Granular Implementation Action Plan

The Implementation plan for this Strategy is designed in accordance with best practices, and lessons learned from the implementation of the NFIS 2016. Accordingly, five key principles are leveraged to design an effective and efficient implementation plan that ensures successful achievement of intended targets. Collectively, these principles inform the design of the implementation plan for this Strategy:

1. **Specific and measurable:** Actions and activities are clearly defined, with specific deliverables & concrete outputs marking completion and enabling effective progress measurement
2. **Achievable and result oriented:** Actions within this Strategy are designed to achieve clearly articulated results. Action-level targets are developed considering experience and speed of progress in comparable countries, and are aligned with the overall and program-level targets
3. **Time bound:** all Actions, activities, outputs and targets within this Strategy are mapped onto a single timeline, which accounts for interdependencies & priorities across the programs.
4. **Systematic:** efficient and purpose driven implementation is enabled by program-based approach in this Strategy, where action level interdependencies are mapped, and implementation is focused
5. **Agile:** overall implementation and governance structure is clear. It includes systematic processes for speedy identification of problems, clear triggers for escalation, and effective adjustment to changes, without disrupting workflow

A separate implementation plan document accompanying this Strategy, covering granular details, expands on the implementation planning with the following:

- Detailed governance structure charters with roles, responsibilities, and engagement models to ensure effective coordination for implementation;

- Implementation plan detailing objectives, activities and output at Action, Program and overall Strategy level to provide a systematic guide for implementation;
- A monitoring and evaluation framework with a clear and structured set of tracking, reporting and escalation measures to ensure effective progress mapping during implementation;
- Detailed list of risks and potential mitigation measures at Action and overall Strategy level to help navigate potential bottlenecks during implementation; and
- Finally, a set of key steps to guide kick-off for implementation of the overall Strategy.

Overall, 200+ granular actions have been identified under each of the Programs. The full breadth of these actions will be implemented over a 5 year horizon, 2021-2025. Implementation of the actions of five²⁰ of the eight programs will be commenced in first quarter of 2021. Building on these, the actions of three of the remaining programs²¹ will be started in parallel.

7.2. Monitoring and Evaluation Framework

The robust monitoring and evaluation (M&E) system detailed in this Strategy will track strategy progress, identify obstacles in Strategy implementation and demonstrate the results of financial inclusion efforts in Ethiopia. The M&E system is comprised of three main elements:

7.2.1. Enhance data collection and analytics

Across all Programs, reliable, widely trusted, sufficiently fine-grained and regularly refreshed data on the state of financial inclusion in Ethiopia is essential for understanding and communicating financial inclusion progress, identifying barriers, designing interventions, and assessing the impact of efforts made. This Strategy thus defines an additional Program for expanding financial inclusion data capabilities. This Program identifies three priority Actions:

1. Improve supply-side data collection by including demographic (including gender-disaggregated) and geospatial breakdowns
2. Define and implement integrated analytical framework for demand-side data and optimize collection
3. Create and maintain a central Financial Inclusion Database

7.2.2. Implementation Tracking Framework:

- Execution tracking will assess if implementation is on course to complete all actions & activities as planned, and if all scheduled outputs are available
- Impact target tracking will compare progression towards quantitative targets against interim milestones, and gauge the impact of strategic actions on Financial Inclusion.

7.2.3. Reporting and Escalation Measures²²

- A regular reporting mechanism will provide consistent progress updates against targets & KPIs, with focus on new risks and opportunities

²⁰ Key Strategic Enabler Program; and Programs, A1, A2, A3 and B0

²¹ Programs B1, B2 and B3

²² Note: the reporting and escalation measures provided here are indicative and will be finalized with key stakeholders after approval of the NFIS 2020.

- Escalation measures will provide an avenue for exception-based reporting; when defined targets are not reached, or might not be reached, to ensure mitigation efforts are carried out in time to resume implementation of the NFIS as planned.

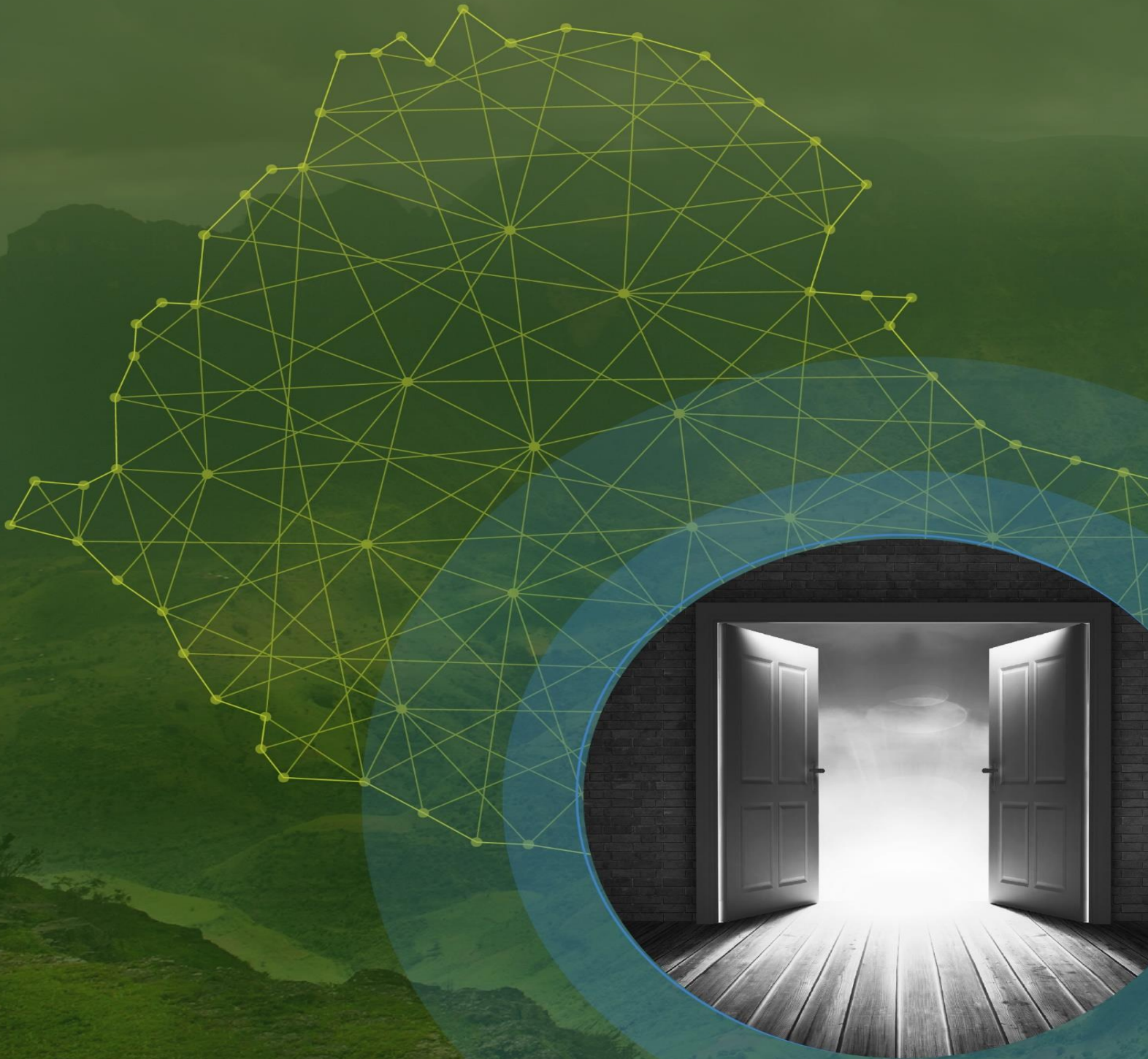
7.3. Mid-term Review

To ensure effective adaptation to a fast changing and dynamic ecosystem, a mid-term review of this Strategy will be conducted, including assessment of implementation progresses against targets, outputs, potential unforeseen consequences and emerging risks and opportunities.

7.4. Risk and Mitigation Framework

The effective implementation of the NFIS 2020 will require adequate planning for potential risks and developing mitigation measures accordingly. Each of the programs and the actions within this Strategy have specific risks and mitigation measures that have been mapped at the action level. These risks and mitigation measures are detailed in the Implementation Plan document that accompanies this Strategy.

1. INTRODUCTION



1. Background

1.1. Introduction

Financial inclusion is a national priority for Ethiopia and a long-standing focus area for the GoE. The development of Ethiopia's first National Financial Inclusion Strategy in 2016 was a historic milestone for these efforts, achieving ground-breaking regulatory and financial infrastructure improvements and a doubling of financial inclusion levels. The implementation period for the first strategy ended in 2020. With this refresh of Ethiopia's National Financial Inclusion Strategy in 2020, the NBE builds on these achievements and re-affirms its commitment to drive national financial inclusion efforts and coordinate implementation across the public and private sector.²³

Full financial inclusion ensures that individuals and businesses have access to, and make use of, affordable financial products and services – including transactions, payments, savings, credit, and insurance – that meet their needs in a responsible and sustainable way.

This refreshed Strategy for financial inclusion in Ethiopia assesses the status quo of financial inclusion, analyzes new opportunities and challenges, and defines revisions for expanding financial inclusion over the next five years (2021-2025), subject to a mid-term review to accommodate the fast changing dynamism in the financial inclusion ecosystem.

The refreshed Strategy also reflects identified contextual changes and incorporates learning's from the implementation of the first strategy. In particular, a detailed review of the first strategy and actions undertaken has yielded the following focus areas going forward:

- **Consistent prioritization** across actions, quantitative indicators, and target ambition levels is key for channeling multi-stakeholder efforts at national and regional levels;
- **More focus is needed on six key areas going forward:** (1) Digital financial services, especially mobile money as a key opportunity; (2) Financial inclusion in very rural, underserved areas via location-specific efforts; (3) Financial inclusion for women via gender-intentional Actions; (4) Driving Sharia compliant products and services; and (5) Deepening of the levels of financial inclusion with respect to both conventional and sharia compliant savings, productive credit, and micro-insurance; and (6) build trust and confidence of the public through financial education.
- **Emphasis on sustainability and economic viability is needed** – enabling viable business models for financial service provision beyond urban centers, while also advancing financial education and ensuring sustainability with robust consumer protection as cross cutting enablers;
- **Pre-alignment and cross-institutional collaboration** needs to be expanded, given past experiences and the implementation-heavy tasks going forward.

In designing Actions for these focus areas, this Strategy also takes into account experiences and lessons learned from other countries. This, together with advances made over the past years, will allow Ethiopia to leapfrog intermediary development stages and avoid technological, regulatory or policy dead ends.

²³ This National Financial Inclusion Strategy refresh was done with the support of several key stakeholders, including ministries, federal agencies, private sector institutions and associations, and international partners.

1.2. Rationale for the formulation of NFIS-II

The main reasons for refreshing the National Financial Inclusion Strategy-II (NFIS) are summarized here below:

First, the rise of new opportunities and enablers within the financial sector: With the existing National Financial Inclusion Strategy (NFIS), Ethiopia strengthened its commitment to financial inclusion as a strategic priority – across ministries, other government institutions, and the private sector. Partly through the implementation of the actions of this strategy, significant progresses and changes that can serve as fundamental enablers to further expanding financial inclusion have been made since then. Remarkable achievements include:

- Amendment of Banking Business Proclamation that, among others, permits the establishment of full-fledged interest free banks;
- Amendment of Insurance Business Proclamation that, among others, permits the establishment of full-fledged microinsurance companies and takaful;
- Issuance of a new proclamation to provide for Movable Property Security Right;
- New and amendment directives²⁴ on agent banking; financial institution branch opening; Payments Operators and Issuers’ Licensing; Financial Consumer Protection; Operationalization of Movable Collateral Registry; Codification, Valuation and Registration of Movable Properties as Collateral;
- Issuance of National Financial Education Strategy;
- Formulation of National Digital Retail Payment Strategy (in the process of ratification);
- The creation of central electronics system for Movable Collateral Registry when collateralized;
- Enhancement of the Credit Reference Bureau; and
- Extension of Rural Financial Intermediation Program (RUFIP) III.

These enablers for financial inclusion were not in existence during the formulation of the 2016 strategy. This has created major restraint on the progress of financial inclusion and lots of opportunities were lost. On the other hand, the reform efforts have significantly changed the financial ecosystem and can be charted to further stimulate and advance financial inclusion, as having direct impact and vast opportunities for the upcoming strategic period.

Second, Homegrown Economic Reform Agenda: New and conducive socio-economic environments that broadly provide with opportunities to further scale up and deepen financial inclusion have been evolving ensuing the Homegrown Economic Reform Agenda (HGER): National Digital Transformation Strategy, “Digital Ethiopia 2025”; Plan of Action for Job Creation; Ministry of Agriculture ten-year plan; to partially privatize Ethio-telecom; National Gender Strategy; Initiative taken for National ID, among others, can be cited. Aligning the financial inclusion efforts with these evolving opportunities drives it to a greater advancement.

Third, completion of most of the actions of the 2016 Strategy: The implementation period for the first National Financial Inclusion Strategy (developed in 2016) ended in 2020. This Strategy had mapped a comprehensive and interrelated framework for defining interventions to advance financial inclusion in

²⁴ Respectively: Use of Agents Directive No. FIS/02/2020; Third Amendment of Branch Opening Directive No. SBB/66/2018; Licensing and Authorization of Payment System Operators Directive No. ONPS/02/2020; Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01/2020; Establishment and Operation of Credit Reference Bureau Directives No. CRB/02/2019; Operationalization of Movable Collateral Registry, Directive No. MCR/001/2020;

Ethiopia: a) Build financial infrastructure; b) Expand innovative products and services; c) Advance financial consumer protection; and d) Promote financial education. Through the execution efforts, around 80% of the total 49 actions of the strategy, charted under the stated interventions, have been completed and produced strong results, with several targets exceeded. More specifically, the major achievements, besides those highlighted above, include:

- The number of transaction accounts per 100 adults grew by a factor of ~2.4 and now averages 159 transaction accounts per 100 adults, compared to a 2015 baseline of 68.
- Ethiopia has made significant progress in the last six years and increased the financially included adults by more than double i.e. from 22% in 2014 to ~45% in 2020;
- Bank branches grew ~1.7, from seven to twelve branches per 100,000 adults, outperforming the initial target of 8.8 per 100,000 adults;
- Agent network has grown significantly in the last four years. In 2016, banking and mobile money agents were almost non-existent, with a baseline of three per 100,000 adults. This has increased by a factor of over 25 and reached to 77 agents per 100,000 adults as of 2020;
- Digital finance footprint has increased substantially over the past four years with debit cards growing by a factor of four; over 9 million mobile banking transactions; and 1.4 million online banking transactions;
- In 2016, mobile money was extremely limited, with mobile money wallets making up less than 1% of transaction accounts. Since then, mobile money accounts have increased by a factor of 10, with ~8 million mobile money wallets registered as of June 2020;
- The percentage of Ethiopians reporting saving in formal institutions has risen steeply from 14% to ~30% of people in the past six years; and
- The percentage of adults reporting having a loan at a regulated financial institution rising slightly to 11% from a baseline of 10%.

This Refreshed National Financial Inclusion Strategy 2020, therefore, aimed at building on the success of the first Strategy, and leverages new opportunities to chart a path for the next 5 years (2021-2025).

Forth, aspiration to further advance financial inclusion: Although Ethiopia has been advancing by more than double in the past five years, the level of financial inclusion compared with benchmarked counties, however, indicates that Ethiopia has scale and vast opportunities to grow across several indicators. Building on these successes and capitalizing on new and emerging opportunities, Ethiopia can further advance the level of financial inclusion and can follow the foot-steps of regional peers e.g. 83% for Kenya and 77% for Rwanda²⁵; compared to ~45% for Ethiopia.

Fifth, lack of focus on severely underserved regions and areas; widening gap between men and women financial inclusion; low level of development and expansion of digital financial services including mobile money; and under developed sharia compliant financial products and services have been identified as the main and forefront challenges that negatively impact further advancement of financial inclusion in Ethiopia. In addition, new opportunities have been emerging following the implementation of the first NFIS which can be capitalized on and mapped to further scale up and deepen financial products and services such as saving, credit and insurance. Translating these opportunities into reality requires strategic actions and steps as learned from the preceding strategy. Therefore, this strategy, NFIS-II (2021-2025), is aiming to further advance financial inclusion through exploring new and looming opportunities and taking a strategic path in addressing the identified problems and challenges.

²⁵ Kenya: FinAccess 2019; Rwanda: FinScope 2020

In a nutshell, refreshing the existing strategy becomes necessary to chart new programs, actions as well as targets for the next five years (2021-2025) taking into account of shifts in the overall economic context – including greater digital capabilities, regulatory changes, strong private sector growth, and other socio-economic developments – that glow up new prospects to further advance financial inclusion in Ethiopia. Enhancing digital payments and agent-based financial services; driving financial inclusion in very rural and underserved areas; reducing the financial inclusion gender gap; driving sharia compliant financial products and services; and advancing financial education and consumers’ protection will be central to financial inclusion efforts going forward.

The document is divided into seven main sections. The first section looks at the overall baseline state of financial inclusion in Ethiopia, assessing strengths and areas for development. Based on the findings, the following section lays out the Vision, Mission, and Approaches for achieving the needed step-change in financial inclusion, culminating in the definition of priority Programs corresponding to the defined strategic priorities. The third section details the Programs and Actions designed to achieve the overall vision, while section four defines specific Targets corresponding to these Programs. The fifth section details implementation actions followed by the Governance Structure. Section seven lays down the monitoring and evaluation framework and risk and possible mitigation steps. Finally, greater detail is available on the Programs, Actions, and Targets in the appendix, and a separate financial inclusion Implementation Framework document complements this with detailed implementation timelines and responsibilities.



2. BASELINE



2. Baseline

With the National Financial Inclusion Strategy (NFIS) 2016, Ethiopia identified financial inclusion as a strategic priority – across ministries, other government institutions, and private sector initiatives. The actions defined in that strategy encompass various types of efforts, including on financial and other infrastructure, financial products and services, financial consumer protection, and financial capabilities and education. Jointly, these actions have aimed for expansion of financial inclusion across all core dimensions, including payments, savings, credit and insurance. Landmark achievements include new directives²⁶ on agent banking, financial institution branch opening and payments operators and issuers licensing as well as on Financial Consumer Protection; the enhancement of the Credit Reference Bureau and creation of a Movable Collateral Registry; and the creation of a National Financial Education Strategy.

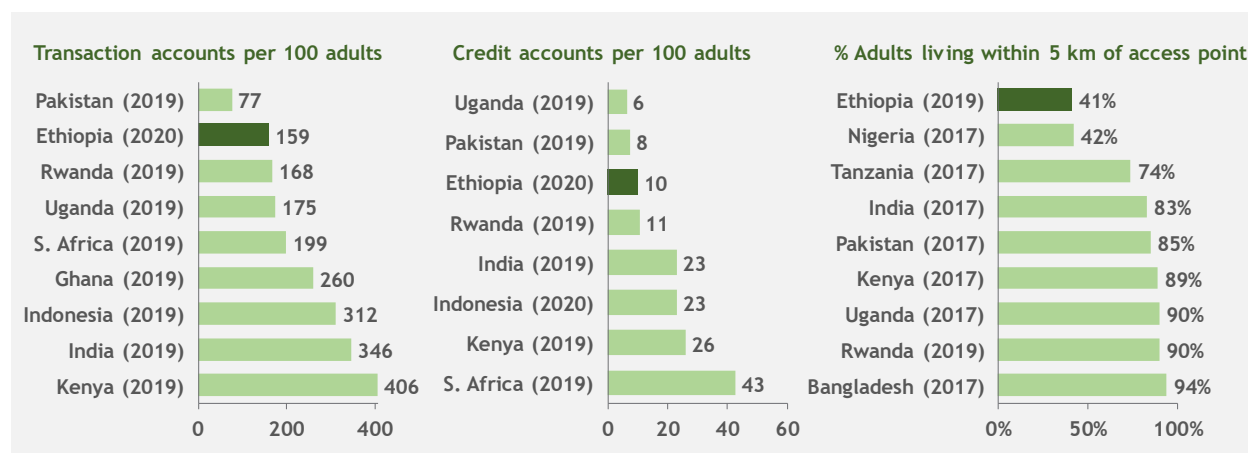


Figure 3: Country comparison in transaction accounts, credit, and access points.

Sources: NBE supply-side data, IMF Financial Access survey, Financial Inclusion Insights and country specific data sets

These and other major financial inclusion efforts have already produced strong results, with several targets exceeded. Compared to benchmark countries, however, Ethiopia has opportunities to grow across several financial inclusion indicators (see Figure 3).

More specifically, six patterns can be identified when comparing Ethiopia’s financial inclusion progress to the 2016 starting point, the ambitions set in the NFIS 2016, and international developments. These trends are described in detail in the following pages (Sub-Section 2.1-2.9).

For international comparisons, a basket of benchmark countries have been selected based on data availability, comparable level of wealth (low income countries to lower-middle income countries) and infrastructure development, active policy focus on financial inclusion and potential for lessons learned (including a clearly defined Financial Inclusion Strategy, Framework, or similar foundations). This basket includes the following countries: Tanzania, Ghana, Uganda, Nigeria, Kenya, Rwanda, Pakistan, Indonesia, Bangladesh, India and South Africa. Note that individual indicators may only show a subset of these countries due to changing data availability per indicator.

²⁶ Including the Use of Agents Directive No. FIS/02/2020; Third Amendment of Branch Opening Directive No. SBB/66/2018; Licensing and Authorization of Payment System Operators Directive No. ONPS/02/2020; Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01/2020; Financial Consumer Protection Directive No. FCP/01/2020

2.1. Overall Financial Inclusion Progress

Significant improvements registered on Financial Inclusion since 2016: Owning a transaction account - including deposit accounts (current and savings accounts), credit accounts, and mobile money wallets - is regarded as the basic form of financial inclusion. Transaction account ownership is, therefore, regarded as the minimum criterion of being financially included. In this regard, Ethiopia has made significant progress in the last six years, more than doubling the proportion of the population that is financially included.

More specifically, transaction accounts (including accounts from both financial institutions and mobile money wallets) have increased across various indicators. In particular, the number of transaction accounts per 100 adults grew by a factor of ~2.4 and now averages 159 transaction accounts per 100 adults, compared to a 2015 baseline of 68.²⁷

While part of this effect is likely to be driven by additional account openings from individuals who already possessed one²⁸, it is estimated that the increase has nonetheless led to a doubling of individuals with (at least) one bank account, from 22% in 2014 to ~45% in 2020.

Additionally, both demand and supply-side data indicates that there are opportunities to improve. On the supply-side, Ethiopia reports 159 transaction accounts per 100 adults compared to the international benchmark median of ~230 accounts (Figure 4); while on the demand-side, Ethiopia has ~45% of adults reporting formal account ownership compared to the median of 64% (Figure 5).

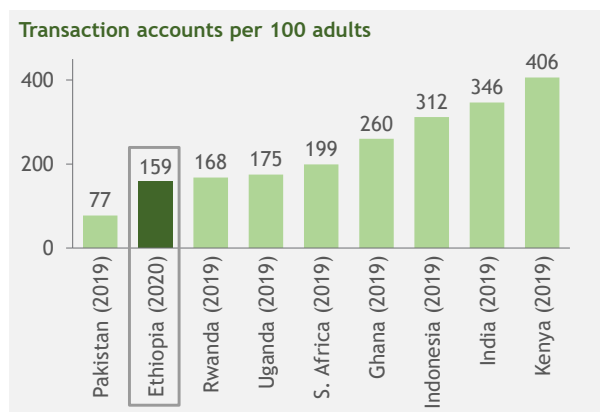


Figure 4: Country comparison of transaction accounts per 100 adults.

Sources: NBE supply-side data and IMF FAS

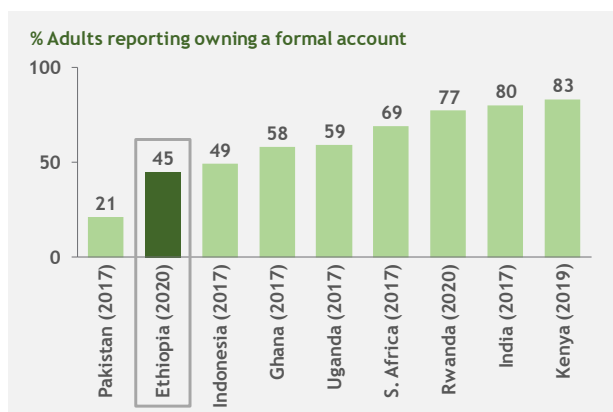


Figure 5: Country comparison of percentage of adults reporting owning a formal account.

Source: Global Findex and 2020 Ethiopian projections

²⁷ The definition of transaction accounts in this Strategy includes mobile money wallets. In the NFIS 2016 strategy, mobile money wallets were not included in the definition and were not tracked either. Since then, different mobile money programs have been rolled out and the NBE now actively tracks the indicator. The figures quoted in this Strategy include mobile money wallets.

²⁸ Based on a comparison of demand and supply-side data, this report estimates that approximately 30% of accounts opened after 2017 are owned by individuals that did not possess an account in 2015, and the remaining 70% of newly-opened accounts are opened by individuals who did already possess one.

2.2. Access points: Strong in Branch Network Expansion, with a Nascent Agent Network

Over the past five years, traditional financial access points have expanded significantly in Ethiopia. Bank branches grew ~1.7, from seven to twelve branches per 100,000 adults, outperforming both the initial target and the average of benchmarked countries at 10 branches per 100,000 adults.

Ethiopia's budding agent network has grown significantly in the last four years. In 2016, banking and mobile money agents were almost non-existent, with a baseline of three per 100,000 adults. This has increased by a factor of over 25, to 77 agents per 100,000 adults as of 2020. Given this rate of growth, it can quickly catch up to Sub-Saharan Africa's leaders in agent networks, which currently exceed Ethiopia's network by at least one order of magnitude (Figure 6). This is due to the ubiquity of mobile money in international benchmark countries that has seen an unprecedented growth in agent networks, with a median of about 1,000 agents per 100,000 adults.

This divergence in agent networks - which provide the vast majority of access points - results in the divergence in proximity to financial access points, with a benchmark median of 84% of adults reporting living within 5km of an access point in comparison to Ethiopia's 41% (Figure 7).

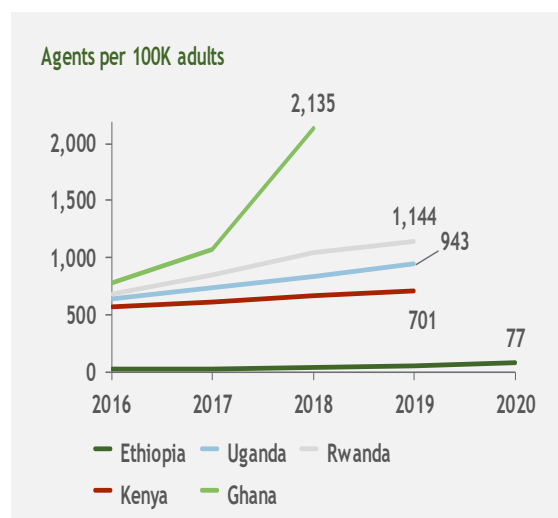


Figure 6: Country comparison in agents per 100K adults from 2016 to 2020 (indexed to 2016).

Sources: NBE supply-side data and IMF Financial Access Survey

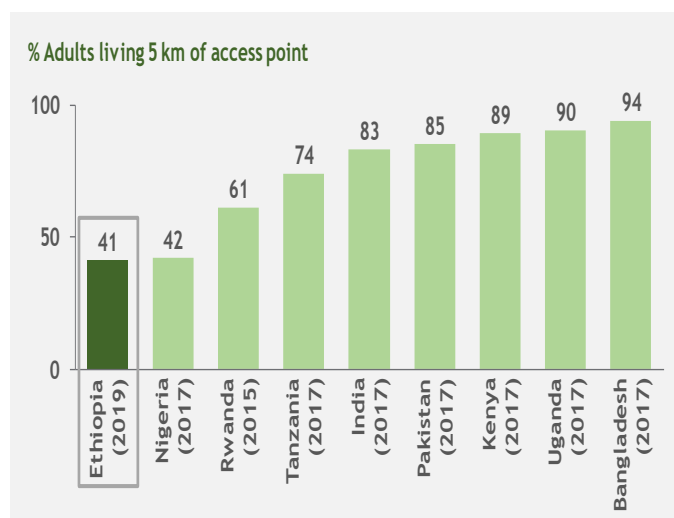


Figure 7: Country comparison of percentage of adults living within five km of an access point.

Sources: LSMS 2018/19 and Financial Inclusion Insights

2.3. Digital Finance and Mobile Money: Significant Progress, and Opportunity to Grow Further

Ethiopia's digital finance footprint has increased substantially over the past four years with debit cards growing by a factor of four; over 9 million mobile banking transactions; and 1.4 million online banking transactions. However, it still underperforms benchmark countries.

In 2016, mobile money was extremely limited, with mobile money wallets making up less than 1% of transaction accounts. Since then, mobile money accounts have increased by a factor of 10, with ~8 million mobile money wallets registered as of June 2020.

Continuing with this pace of growth, Ethiopia can follow the foot-steps of regional peers who have reached larger proportion of mobile money accounts (37%-67% in benchmark countries).

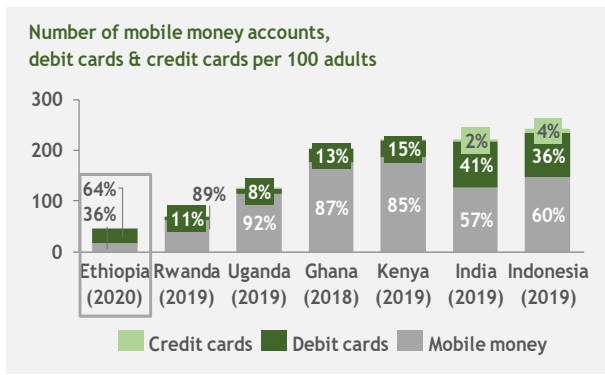


Figure 8: Number of mobile money accounts, debit cards and credit cards per 100 adults. Sources: NBE supply side-data, IMF Financial Access Survey

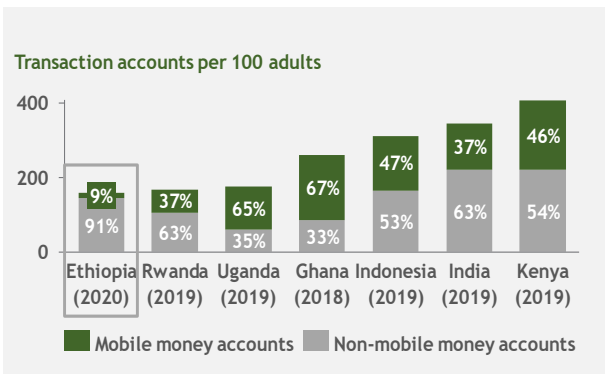


Figure 9: Transaction accounts per 100 adults. Sources: NBE supply-side data and IMF Financial Access Survey

2.4. Gender: The Gender Gap is Large and Widening Across the Board

The gender gap in financial inclusion has been widening over the past eight years in Ethiopia. In 2014, it stood at a negligible 2 Percentage Points (23% vs. 21%); in 2017 at 12 percentage points (41% vs. 29%). Based on other data, it is now projected to stand at 19 percentage points (53% vs. 34%)²⁹. Ethiopia now has the second-largest gender gap among seven benchmarked countries in Sub-Saharan Africa. In effect, while the absolute level of financial inclusion has increased for both men and women, more need be done to benefit men and women equally.

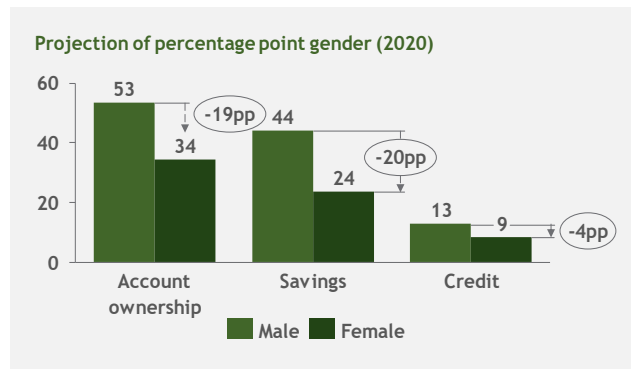


Figure 10: Gender gap in account ownership, savings and credit. Sources: Projection 2020 (Findex 2017 and LSMS 2018/19)

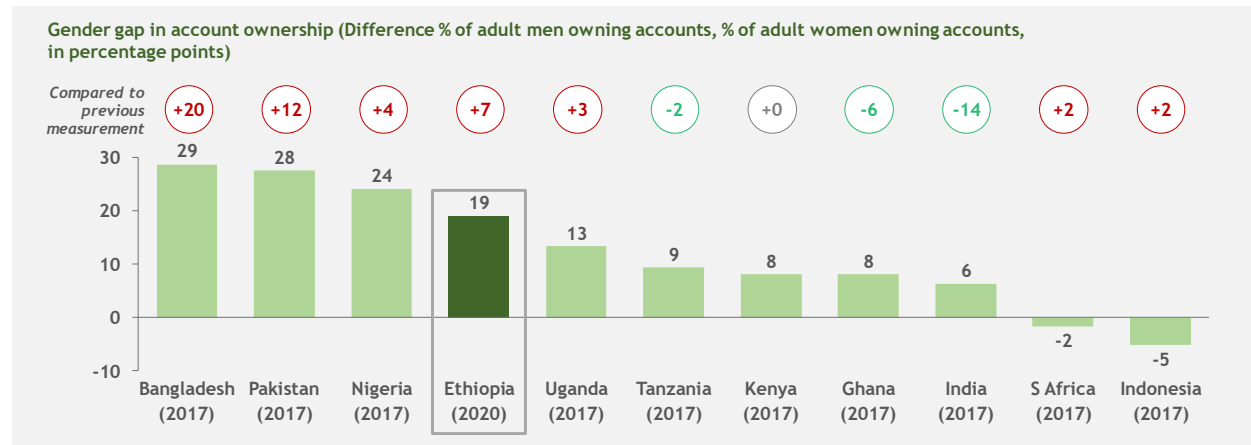


Figure 11: Country comparison of the gender gap in account ownership. Sources: Findex 2014 and 2017, Projection 2020 (Findex 2017 and LSMS 18/19)

²⁹ Projections are based on applying percentage point increase from LSMS 2016-2019 on Findex 2017 numbers.

The specific reasons for this rise in the gender gap are not known in detail, and will require further study (Refer to Program A3 of this Strategy). Nonetheless, three likely reasons have an impact on the increasing gender gap:

- Existing gaps in fundamental enablers such as education and income levels.³⁰ Overall financial inclusion has grown significantly since 2014. However, as financial inclusion levels increased, the impact of the underlying gaps was still present, with a consequential increase in the financial inclusion gender gap.
- Limited gender intentionality in financial inclusion policy and strategy implementation, which accelerated the gender gap trend.³¹
- Limited benefit (versus other countries) from the equalizing effects of digital finance and mobile money due to the historically bank-branch led approach.³²

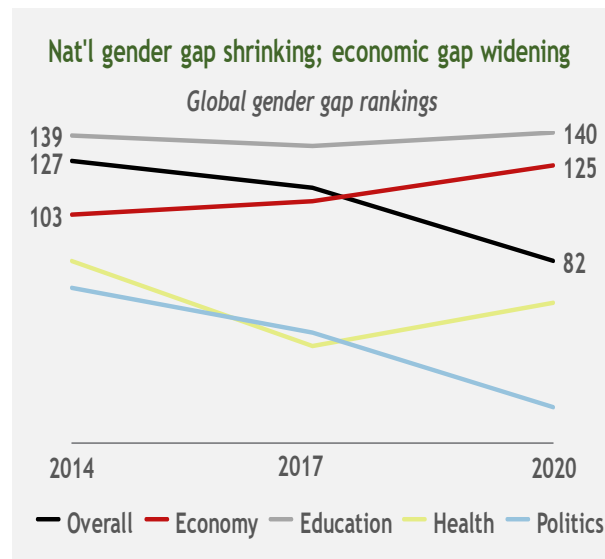


Figure 12: Ethiopian gender gap ranking. Source: World Economic Forum Report on the Global Gender gap, 2020

2.5. Geographic Divergences in Financial Inclusion

Financial inclusion levels vary between urban and rural areas (Figure 14). This is because financial products and services are traditionally more relevant in geographies that are highly urbanized, with dense populations.

Additionally, there is performance divergence across regions, with account ownership at 75% in Addis Ababa and 6% in Somali as per Figure 15. While this is partially explained by different levels of urban development (Figure 14), the lowest performing region still remains below the rural average, indicating that there are more consequential factors at play than the rural nature of the regions.³³

Finally, there also exist divergences at woreda level as well. For instance, more than 37% of woredas do not have a bank branch according to the Ethiopia Geospatial report (Figure 13).

³⁰ The gender gap sub-ranking for economic equality is based on female labor participation force, wage equality, overall income earned, percentage of women in senior positions and percentage of women who are professional and technical workers.

³¹ International benchmarks indicate that, for countries that are gender intentional (e.g. India, Ghana and Tanzania) in strategy design, and implementation, the gender gap decreases considerably

³² This did not circumvent or mitigate key barriers women face traditionally in accessing the formal financial system

³³ This is observed across other indicators, such as access points, savings, and credit.

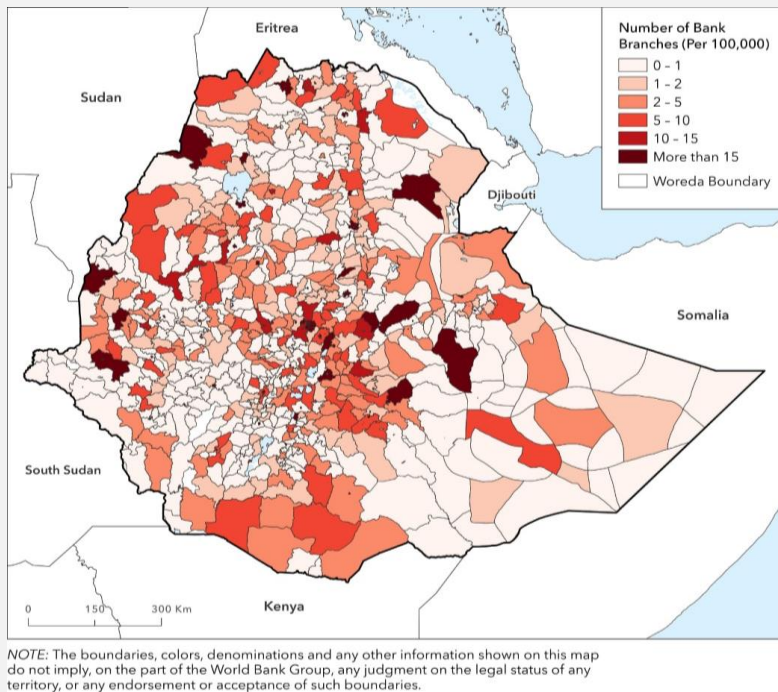


Figure 13: Bank branches per woreda.
Source: World Bank: Ethiopia Geospatial Report 2020

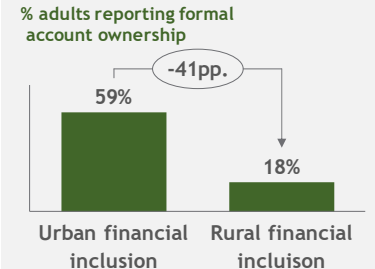


Figure 14: Urban vs rural account ownership divergence.
Source: LSMS 2018/19

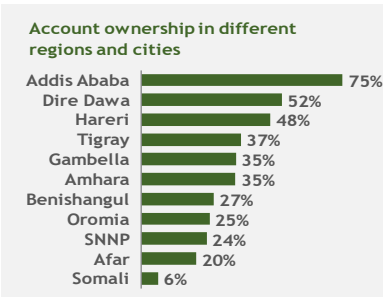


Figure 15: Account ownership in different regions and cities.
Source: LSMS 2018/19

While some of this divergence may be explained by variation in population density between woredas, 86% of woredas still remain below the national average bank density per 100,000 adults. This indicates that disparity in access point coverage is present even when controlling for the effects of population.³⁴

2.6. Opportunities to Promote Sharia Compliant Financial Products and Services

Following legal reforms, full-fledged interest free banking and takaful operations are evolving. These would lead to full scale provision of financial products and services that are well expanded and suited to the interests of people who were mainly excluded from financial services due to religious reasons.

Expanding access points targeting the provision of sharia compliant financial transactions would help to lead to scale and then deepening. Banks, Microfinance institutions, insurers and lease companies particularly those who stand with a full-fledged status will be encouraged and coordinated to expand their branch outlets around feasible areas especially where Muslim community dominates.

Sharia compliant finance has its own products, services and contracts that differ from conventional financial products and services. Some of these include *Mudharabah* (profit sharing), *Wadiah* (safekeeping), *Musharakah* (joint venture), *Murababab* (cost plus finance), *Ijar* (leasing), *Hawala* (an international fund transfer system), takaful (Islamic insurance), and sukuk (Islamic bonds).³⁵ As per the data collected from the NBE, around 5.4 million Muslim adults

³⁴ E.g. indicating that population is only one driver among other factors. Source: World Bank: Ethiopia Geospatial Report 2020

³⁵ Excerpt from **Islamic finance products, services and contracts – Wikipedia** -https://en.wikipedia.org/wiki/Islamic_finance_product...

have transaction accounts with regulated financial institutions. Designing appropriate channels, products and services that comply with sharia principles would provide opportunities to further expand financial inclusion and support the financial ecosystem at large.

2.7. Savings: Strong Savings Culture, with Significant Potential to Mobilize Formal Savings

Savings is generally defined as the money remaining after subtracting spending from a disposable income.³⁶ This can take numerous forms, mainly categorized into formal and informal savings. Formal savings can be money set aside in mobile wallets, bank checking accounts and various forms of conventional and sharia compliant accounts. The yield-bearing account subset is the ideal type of saving, as it mitigates inflationary losses and improves efficiency of capital allocation, ultimately leading to productive investments and economic growth.

The percentage of Ethiopians reporting saving in formal institutions has risen steeply from 14% to ~30% of people in the past six years – higher than many international benchmark countries (Figure 17). However, given that 62% of adults reported savings (incl. informal) in the past year (Figure 16), there is still room to capitalize on Ethiopia’s strong, mostly informal savings culture, evidenced by the prevalence of *Equb* groups.³⁷ In light of the many advantages formal savings offers, including interest, the 32% of adults who save only informally are a promising pool to target for migration into formal savings.

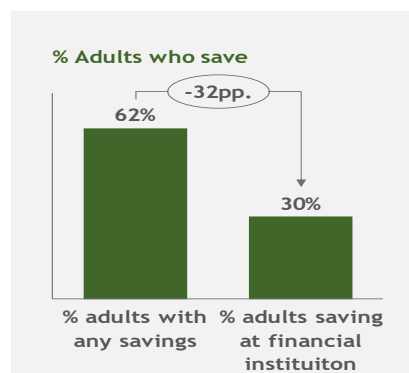


Figure 16: Percentage of adults who save vs. those who save in financial institutions. Sources; Global Findex 2017, 2020 projections

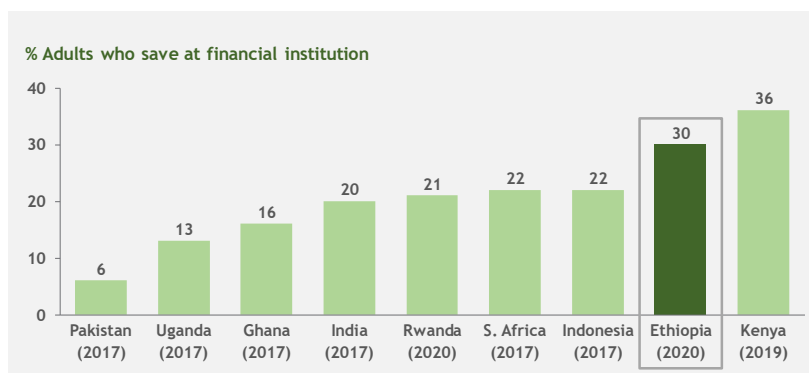


Figure 17: Percentage of adults who report saving at a financial institution. Sources: Global Findex 2017, country specific data sets, 2020 projections

2.8. Credit: Credit Remains Limited, with Potential to Grow for MSMEs and Agriculture

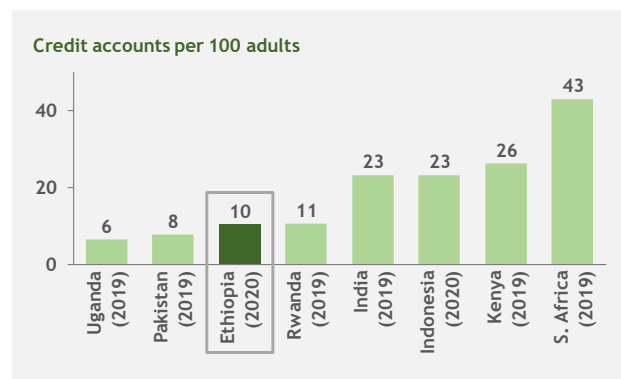
The percentage of adults reporting having a loan at a regulated financial institution stayed essentially constant, rising slightly to 11% from a baseline of 10%. Credit accounts³⁸ per 100 adults also remained stagnant at 10 accounts, lower than most benchmark countries both in terms of relative growth (Figure 19) and current absolute level (Figure 18).

³⁶ Standard definition from Investopedia

³⁷ Informal ROSCAs used as avenues to save and borrow money

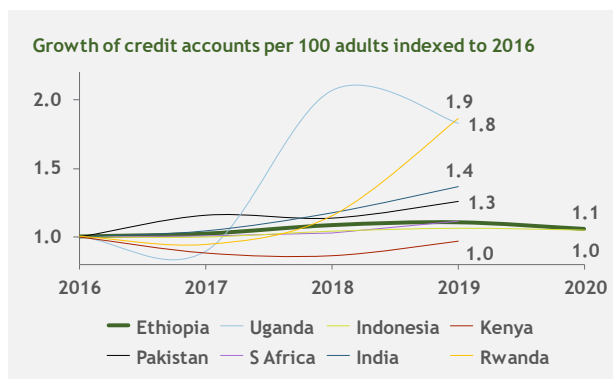
³⁸ Formal loan accounts from financial institutions (and potentially mobile money providers) that enable an individual to draw loans and pay back principal and interest

More specifically, consumers with access to a loan at household level declined from 23% in 2016 to 16% in 2019. This was driven by a reduction of access to non-formal loans: Non-formal access to loans (i.e. relatives, neighbors, etc.) decreased by 16pp (71.4% to 55.5%) while formal access to loans (i.e. banks, SACCOs, MFIs) increased by 14pp (28.6% to 42.7%), partially offsetting the decline in loan access from non-formal sources.



Sources: NBE supply-side data, IMF FAS and country-specific data sets

Figure 18: Country comparison in credit accounts per 100 adults.



Sources: NBE supply-side data, IMF Financial Access Survey

Figure 19: Growth of credit accounts per 100 adults indexed to 2016.

In addition, data indicates that business credit has increased but MSME and agriculture sectors have not benefitted proportionally. Private credit volume increased from ETB 264 billion to ETB 550 billion in three years, a ~110% increase. MSME and agriculture credit also increased in absolute terms (ETB 13 billion to ETB 27 billion and ETB 37 billion to ETB 47 billion respectively), but by the same or smaller margins compared to total private credit (~112% and 26% respectively). As a result, both MSME and agriculture loans as a percentage of private credit remain relatively low, at 5% (from 4%) and 9% (from 17%) respectively. This signals opportunity to increase access to credit for MSMEs and the agricultural sector to match the boom in credit in other sectors.

2.9. Defining Interventions Framework

In order to achieve this Strategy's mission, specific interventions need to be defined. The National Financial Inclusion Strategy (NFIS) 2016 had developed a comprehensive framework for defining interventions. This framework remains in place with slight revisions. The revised framework this Strategy leverages recognizes three fundamental types of interventions:

- Consumer protection, capacity building and market structure interventions
- Financial infrastructure, including financial access points
- Innovative products and services

The NFIS 2016 also recognizes four essential types of financial services whose availability constitutes full financial inclusion:

- Payments and related transactions;
- savings;
- Credit and other financing, such as leasing; and
- Insurance

In principle, dedicated actions for each type of essential financial service – payments, savings, credit or insurance – within each of the three interventions of the framework are needed. For instance, actions on consumer protection, on capacity building, or on product innovation for credit differ significantly from actions for improving access to payments services. The result can be visualized as a matrix (Figure 20).

Actions defined within this Strategy cover each cell of this framework. These individual actions are clustered together into Programs based on the specific strategic priorities they serve, to ensure that resources and efforts are channeled into challenges with most urgent need and largest opportunity for impact. Within the overall mission of scaling and deepening financial inclusion, this Strategy defines a range of specific priorities:

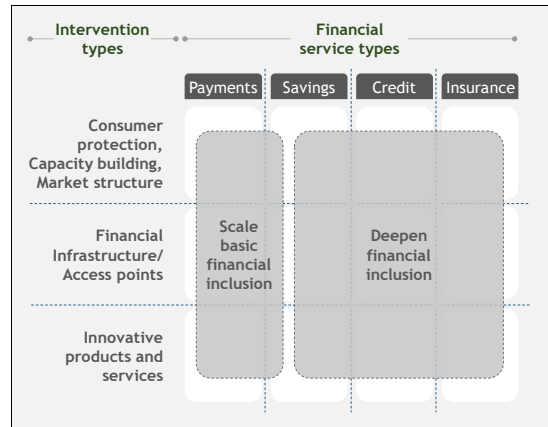
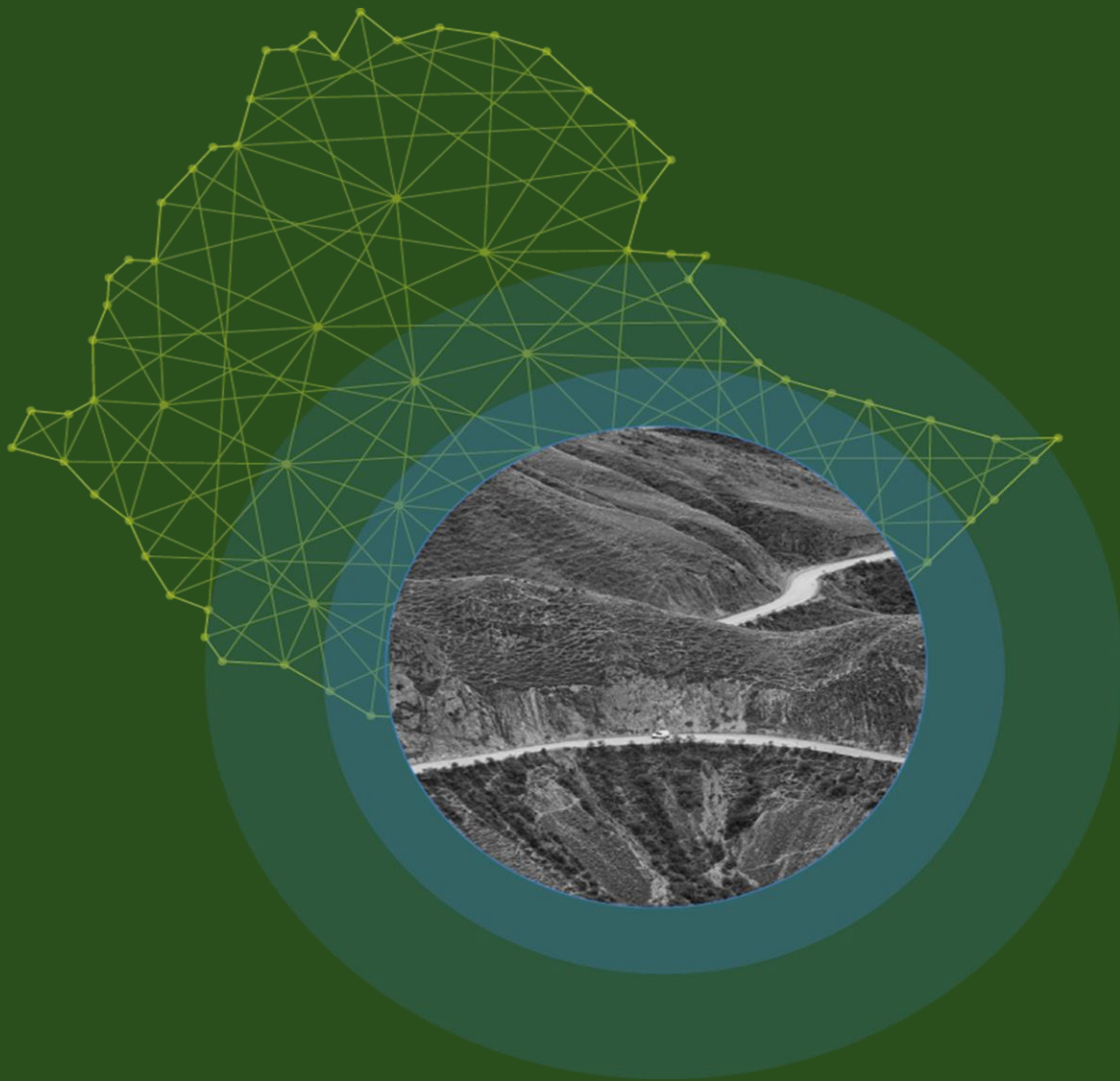


Figure 20: NFIS 2020 Intervention Framework

3. VISION, MISSION, STRATEGIC APPROACH & PRIORITIES



3. Vision , Mission, Approaches and Strategic Direction

3.1. Vision

The Vision driving this strategy is: **Financially Inclusive Ethiopia**. Conceptually, it has embedded three basic ideas:

- **Universality:** No Ethiopian adult should be left behind from financial inclusion;
- **High-Quality:** Suitable infrastructure and products & services designed to ensure informed financial decision-making, combined with financial education and financial consumer protection to improve every Ethiopian’s financial life; and
- **Sustainability:** Active transaction accounts with on-going usage through economically and socially sustainable scale up and deepening of the financial inclusion.

Achieving this Vision will also be a critical enabler for broader sustainable development. It features as a target in eight of the seventeen Sustainable Development Goals³⁹ and will serve as a foundational enabler and catalyst for four key national priorities:

- **Make Ethiopia’s financial system more safe and sound** by leveraging improved financial infrastructure, strengthened financial institutions and thorough consumer protection to expand the savings and deposit base in a responsible and sustainable way⁴⁰;
- **Create jobs & drive economic growth** by reducing barriers to accessing conventional and sharia compliant credit, especially for MSMEs, women, and low-income households, and leveraging innovative business models⁴¹;
- **Reduce poverty** through increasing the economic resilience of low-income households via savings and insurance coverage and enabling them to fully participate in formal economic markets⁴²; and
- **Enhance capabilities for digital innovation** with mobile money and other forms of digital finance, strong use cases, and training grounds for product innovation⁴³

3.2. Mission

To make this Vision a reality, this Strategy sets out the following Mission: **Scale up and deepen financial inclusion to ensure 70% of adults are included by 2025.**

The subsequent section explains its key elements, scaling and deepening.

3.3. Strategic Approach

The path to financial inclusion this Strategy charts consists of two sequential steps:

³⁹ Including the SDGs on eradicating poverty; ending hunger; achieving food security and promoting sustainable agriculture; ensuring health and well-being; achieving gender equality and economic empowerment of women; promoting economic growth and jobs; supporting industry, innovation, and infrastructure; and reducing inequality. UNCDF, “Financial Inclusion and the SDG”; UNSGSA, “Igniting SDG Progress Through Digital Financial Inclusion”

⁴⁰ This is a key element of the National Bank of Ethiopia’s Mission, see “Mission of the Bank”

⁴¹ Leveraging past achievements for job creation and sustainable growth is a core national priority. The Homegrown Economic Reform Agenda lays out this goal

⁴² The Government of Ethiopia has adopted poverty reduction as its number one Sustainable Development Goal, with the aim of eliminating extreme poverty by 2030, see Sustainable Development Goals, United Nations Ethiopia

⁴³ “Digital Ethiopia 2025”, Ethiopia’s national strategy for achieving digital transformation at a national scale, recognizes financial inclusion as an important enabler

3.3.1. Achieve Basic Financial Inclusion at Scale

Increasing the number of people that own and use at least a payments-enabled account (incl. mobile wallet), either conventional or sharia compliant, with a financial institution or payments instrument issuer

In line with the path charted above, scaling basic financial inclusion will be prioritized. Works in response to the NFIS 2016 have laid crucial regulatory foundations, including the Payment Instrument Issuers Directive and Use of Agents Directive. Actions defined by the National Digital Payment Strategy will expand those foundations, in particular payments infrastructure and regulatory enhancements. In addition, ongoing and planned basic infrastructure improvements– such as electricity, mobile coverage and penetration, and national ID – are crucial enablers.

This Strategy identifies four additional priorities for achieving basic financial inclusion at scale:

- Drive digital payments by scaling mobile money, especially via dense and sustainable agent networks built on the backbone of robust bank and MFI branch network coverage;
- Drive financial inclusion in severely underserved parts of the country by creating pre-conditions for scaling digital finance and implementing targeted expansion approaches;
- Drive financial inclusion for women, ensuring gender-intentionality across all interventions and implementing priority actions for closing the financial inclusion gender gap across all products and services; and
- Developing sharia compliant financial infrastructure.

Across these priorities, increased consumer protection efforts and financial education (including digital literacy campaigns) will be crucial to maintain trust in the financial system and make financial sector growth sustainable.

In addition, data collection is identified as a Key Strategic Enabler. While major progress has been made with respect to the collection and analysis of financial inclusion data, room for improvement remains and hence is a key priority:

Expand and adjust existing financial inclusion data collection methods, with respect to supply-side and demand-side data as well as data collaboration across regulators

3.3.2. Leverage Scale to Deepen Financial Inclusion

This approach is directed towards increasing the number of people that benefit from multiple, and ultimately all four (payments, savings⁴⁴, credit, insurance) major types of financial products and services of either conventional or sharia compliant.

Building on the role of digital payments and mobile money as a lever for achieving scale, deepening financial inclusion in parallel will focus on both conventional and sharia compliant savings, credit, and micro insurance). In addition to relying on crucial infrastructural enablers, these efforts will be closely aligned with interventions defined in the Rural Financial Intermediation Program (RUFIP) III and other national strategies. They will also leverage initial achievements of NFIS 2016 as their starting point. Taking these inputs into consideration, this Strategy follows a parallel approach for deepening financial inclusion:

⁴⁴ “Yield-bearing” savings defined as either interest-bearing savings accounts or Islamic / Sharia-compliant savings accounts which create gains through approaches such as profit sharing; both types accumulate value over time. Stores of value which do not bear yields (such as simple mobile wallets) are not included in this definition.

- First, lay foundations and generate immediate momentum for deepening of innovative financial services, including improved regulatory frameworks and digital infrastructure, to expand both conventional and sharia compliant savings, credit and insurance
- Building on these foundations, implement specific interventions for each of three essential conventional and sharia compliant financial services, namely:
 - Maximize savings mobilization, including pension schemes
 - Expand access to financing in particular with focus on MSMEs
 - Develop a strong micro-insurance system to improve crisis resilience

3.3.3. Advance Financial Education and Consumers’ Protection – Cross Cutting Enabler for Both Scale and Deepening.

Both scale and depth are essential elements of financial inclusion and are cross-enabled by financial education and consumers’ protection. The approach this Strategy adopts aims at achieving scale for basic financial inclusion while ensuring depth in parallel and ongoing basis. In adopting this path, this Strategy recognizes the paramount importance of financial inclusion at scale for inclusive growth: Achieving scale while actively driving depth of financial inclusion in parallel will greatly benefit the currently most disadvantaged Ethiopians. Aiming for greater depth without having basic financial inclusion scale would mean further increasing the gap between basically included population segments over currently fully excluded Ethiopians.⁴⁵

In Ethiopia, estimated 55% (based on Findex Global Survey of 2017) of adults have been excluded from formal financial transactions. Low level of financial literacy and capability are among the major overarching causes for the exclusion. Ethiopia Financial Capability Survey (2017) indicated that roughly 82 percent of unbanked adults reported not owning an account due to a financial literacy or awareness barrier and nearly 85 percent and 80% of unbanked women and men respectively reported not knowing how or where to open an account. Financial education and consumers’ protection are, therefore, an essential cross cutting enablers to further scale up and deepen financial inclusion.

These strategic approaches recognize that there is a clear and promising starting point in scaling minimal access – namely digital payments. Most countries that have successfully expanded financial inclusion over the past twenty years have followed this path of financial inclusion. Moreover, most of these countries have followed it in the same way – by scaling payments first, with a focus on digital and agent-based payments (including ‘Cash In Cash Out’) products and channels. Examples include China⁴⁶, Ghana⁴⁷, Uganda⁴⁸ and India⁴⁹. The path to financial inclusion that this Strategy charts recognizes

⁴⁵ This is particularly important given recent growths in the gaps between financially included and excluded population segments which would widen unless targeted interventions are taken. For instance, the gender gap has widened from 2% in 2014 to 12% in 2017 and a projected 19% in 2020⁴⁵; likewise, the gap between rural financial inclusion and the country average has widened from 10% in 2014/15 to 13% in 2018/19 – despite several measures, including those defined in the NFIS 2016, promoting financial inclusion and general development for rural areas. LSMS 2018/19; LSMS 2015/16

⁴⁶ Introduction of payment-focused the Alipay mobile wallet in 2008; 700m users by 2017; subsequent expansion into other products, especially consumer lending (Huabei, Jibei), savings (Yu'e Ba) and most recently insurance (Xiang Hu Bao). Other companies, most notably TenCent's WeChat Pay, follows similar trajectory. See World Bank: “Toward Universal Financial Inclusion in China: Models, Challenges, and Global Lessons”, 2018; Chinese Academy of Financial Inclusion: “Digital Financial Inclusion in China”, 2019

these learning's. It also recognizes that developments over the past years position Ethiopia well for rapidly scaling digital payments and mobile money, potentially leapfrogging intermediate phases:

- Mobile coverage has increased rapidly and is planned to reach 60% by 2025⁵⁰, potentially allowing for rapid uptake of digital financial services among currently-excluded population;
- Use of mobile wallets and digital payments has started to take off in many parts of the country over the past two years, from less than 1 million mobile money wallets in 2018 to a projected 10 million by the end of 2020⁵¹;
- Digitizing existing payment streams, in particular remittances and G2P transfers, allows harnessing these streams for formal financial inclusion;
- Branch networks in Ethiopia have expanded significantly⁵², providing the needed financial infrastructure for a more fine-grained agent network to function; and
- Learning from other countries, including regarding the importance of gender-intentional action and best practices for designing agent regulations and financial consumer protection, will be built into financial sector expansion from the ground up.

3.4. Strategic Directions

The strategic priorities across scale, deepening and cross cutting enabler are translated into Programs, with each of these eleven (11) priorities corresponding to the Programs focused on achieving it. Their sequencing is informed by the approach described above, with Programs aiming at scale being initiated first, and Programs aiming at deepening and financial education and consumers' protection are initiated in parallel. The resultant program landscape is illustrated below

⁴⁷ Mobile Money Rollout by MTN Ghana in 2011, 14.5M users by 2019; subsequent introduction of digital savings accounts, micro-lending, micro-insurance by MTN and competitors. See CGAP: "Building Inclusive Payment Ecosystems in Tanzania and Ghana", 2018

⁴⁸ Surge in overall financial inclusion in Uganda from 33% in 2013 to 46% in 2017, primarily by introduction of mobile money (MTN, UTI, Zain) with uptake at 46% of adults within four years; subsequent expansion into savings and credit, with e.g. every third adult signed up with MoKash. See Financial Inclusion Insights: "UGANDA WAVE 5 REPORT. FIFTH ANNUAL FII TRACKER SURVEY", 2018

⁴⁹ Stronger emphasis on governmental guidance, with introduction of no-frills accounts ("Jan Dhan") and switching major G2P transfers to digital payments into these accounts. See The Economic Times, August 3, 2020 („Bank accounts opened under Pradhan Mantri Jan Dhan Yojana crosses 40-crore mark")

⁵⁰ Measured as percentage of mobile phone subscribers versus total population. Source: MInT ten-year strategy

⁵¹ Linear projection based on NBE supply-side data. 2018 and 2020

⁵² From 7 to 12 branches per 100k adults between 2015 and 2020. NBE supply-side data

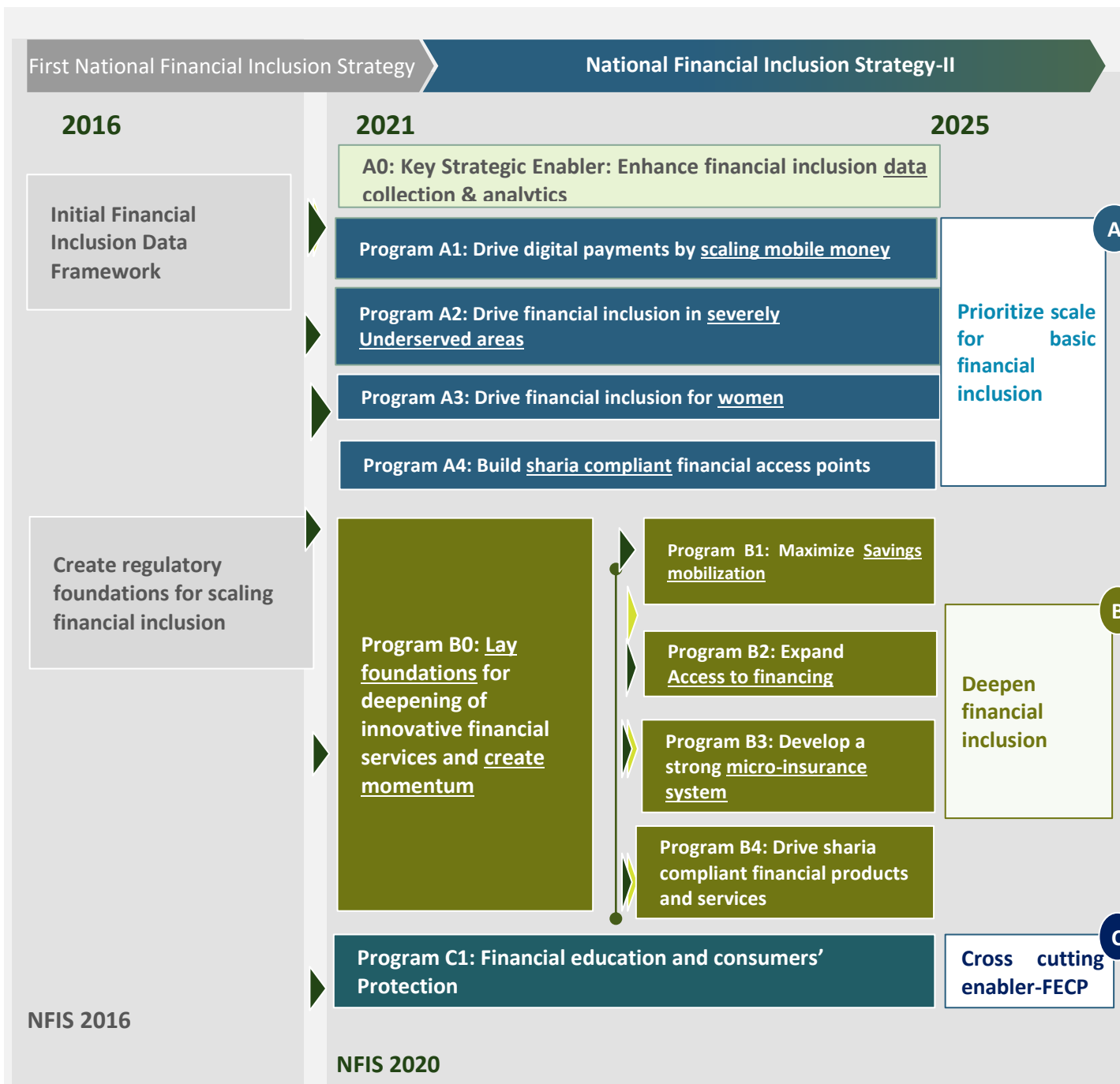


Figure 21: NFIS 2020 Program landscape

These strategic focus/Programs constitute the fundamental fabric of this Strategy. Their implementation will be started in parallel. An overview of each Program is provided in Section 4 of this document.

Note that individual Programs (as well as this Strategy as a whole) intersect with a range of existing national strategies and priorities. Program-specific interdependencies are provided as part of the program descriptions (Section 4); an overall view is presented in Appendix 3 of this Strategy.

Actions detailed in this strategy charts the implementation steps of each of the programs and strategic priorities. The independent actions are assorted under each of the programs based on strategic priorities. This would help to direct efforts and resources to a more focused and impactful results and the use of opportunities. This strategy, therefore, presents identified priorities and actions that aim to promote financial inclusion in Ethiopia.



4. PROGRAMS & ACTIONS



4. Programs and Actions

This Section details the eleven Programs designed for driving financial inclusion over the next five years, as introduced in the previous Vision, Mission and Approach section (Section 3). A description of the Programs is provided along with the respective list of Actions initiatives to be conducted.

4.1. Program A0: Key Strategic Enabler: Enhance financial inclusion data collection and analytics

Box Note 1: This Program describes foundational actions for improving financial inclusion data availability, quality, frequency, and consistency. **This Strategy is accompanied by a detailed Implementation Framework**, which includes an in-depth Measurement and Evaluation (M&E) Framework. The M&E Framework builds on the actions laid out in this Program as well as other existing data sources, describing in detail all indicators to be tracked, their targets, data sources, tracking frequency, and reporting/escalation mechanisms.

Reliable, sufficiently fine-grained, and updated data on the state of financial inclusion in Ethiopia is essential for understanding and communicating financial inclusion progress, identifying barriers, and designing interventions. The data needs to be detailed enough to identify gaps between demographics – especially gender and geography, but also youth, wealth, and education.

Recent years have seen significant progress in financial inclusion data collection and analysis efforts, both with respect to supply-side data (data provided by financial institutions and payments instruments issuers to regulators) and demand-side data (data obtained from consumer surveys).

Key supply-side data sources include:

- Quarterly data on access points, financial product adoption, and usage provided by banks, micro-finance institutions, and insurance providers to the National Bank of Ethiopia (NBE) (the primary supply-side data source on financial inclusion)
- A one-time Ethiopia geospatial report by the World Bank in conjunction with the NBE, containing analysis of financial access point coverage and financial readiness at woreda level
- Supplements from government entities such as the Federal Cooperation Agency (FCA), Ethiopia Communications Authority (ECA), Ministry of Finance (MOF), and Policy Studies Institute (PSI)

Key demand-side data sources include:

- The triennial Global Findex survey (collected by the World Bank) covers access, adoption, and usage of various products and services with respect to financial inclusion. It contains demographic splits, but no breakdown beyond national level due to its sample size of ~1,000 individuals
- The biennial Living Standards Measurement Study (LSMS) financial inclusion module (collected with the Central Statistical Agency (CSA) and World Bank) also covers access, adoption and usage,⁵³ and also contains demographic splits, with a breakdown by region and larger sample of over 6,700 households and ~15,000 individuals

⁵³ The financial inclusion module began with the third wave of the LSMS, in 2015/16. The fourth wave of the LSMS which was conducted in 2018/19 is the first survey of the ESS panel II, with new households being interviewed compared to previous waves and the next round scheduled for 2021/22.

- A stand-alone National Financial Capability Survey was carried out in 2017 jointly by the NBE, CSA and World Bank.⁵⁴ The survey incorporates demographic splits, with a breakdown by region and a sample size of ~3,000 respondents

Building on these developments, there is significant opportunity to further enhance the financial inclusion data, by addressing areas for improvement in data inputs, methodology, and collection frequency:

- Limitations in supply-side data including limited availability of geographical and demographic splits (especially gender) and omission of crucial indicators⁵⁵
- Lack of an integrated, analytical framework to leverage different demand-side data sources (especially LSMS and Findex) in a consistent, transparent, and effective way
- Absence of a unified financial inclusion database to provide data visibility and facilitate cross-institutional alignment

Three actions have been defined to address these areas for improvement:

- Action 1: Improve supply-side data collection by including demographic and geospatial breakdowns
- Action 2: Define and implement integrated analytical framework for demand-side data and optimize collection
- Action 3: Create and maintain a central Financial Inclusion Database

4.2. Program A1: Drive Digital Payments by Scaling Mobile Money

Box Note 2: National Digital Payments Strategy

The NBE recently developed the National Digital Payments Strategy (2020-24).⁵⁶ The NDPS is a key enabler for this Strategy. The Actions developed build on the four major pillars of the NDPS:

- **Develop a reliable and interoperable infrastructure:** NDPS aims at establishing full interoperability across payment channels, enhancing access to basic infrastructure, and developing payments infrastructure. This includes the expansion of ATMs, POS, M-POS etc. These complement existing initiatives in the ecosystem by stakeholders such as Ethio-telecom, Eth-Switch⁵⁷ and more. Expansion targets will also be set and tracked by the NDPS.
- **Champion adoption of digital payments:** NDPS prioritizes use case categories to drive digital payments adoption⁵⁸ across digital payment channels. These efforts are supported by market incentives to drive adoption and discourage cash transactions.
- **Build a robust regulatory and oversight framework:** NDPS aims to strengthen the regulatory capacity of the NBE and revise required regulations to enable digital payments uptake,⁵⁹

⁵⁴ This was the first edition of this survey. If repeated, it could be used as one of the main sources of data.

⁵⁵ SACCO data from the FCA is currently not included in tracking of transaction, saving and credit account. Mobile money accounts such as M-Birr and other FinTech accounts were not included as part of transaction accounts. Micro-insurance data from MFIs and SACCOs was not included, causing conflicting results between supply and demand side data. It also does not track frequency of usage and does not have regional or gender split of adoption indicators.

⁵⁶ NDPS Vision Statement

⁵⁷ Eth-Switch, the national switch, is currently developing a real-time payments system, amongst other efforts

⁵⁸ Including use cases on government payments, tourism, agricultural transactions and remittance

including effective implementation of recently-approved directives.

- **Create an enabling environment for innovation:** The NDPS identifies a need to enhance participation and unlock the full potential of new players in innovation and technology, particularly targeting the active participation of FinTech.

Program A1, under the refreshed NFIS, leverages the NDPS as a key enabler and is focused on enhancing financial inclusion through digital payments. **Implementation of this Strategy will be in close collaboration and alignment with the NDPS. Also see the Governance Section of this Strategy.**

The NFIS 2016 leveraged the expansion of traditional financial access points to increase financial inclusion and set targets for the expansion of branches. Accordingly, bank and MFI branch networks have expanded over the past few years, growing from ~5,100 branches in 2016 to ~8,500 branches⁶⁰ in 2020. Similarly, increased adoption of financial services was targeted, with adoption rates growing by 23 percentage points over the past six years (22% in 2014 to an estimated 45% in 2020)⁶¹. However, neither access point expansion, nor adoption rate improvements were uniform:

- Access points were expanded in urban centers.⁶² Rural locations, with lower population density and economic activity, offered less attractive business cases, and are yet to be adequately covered
- Adoption rates also showed disparity across the country, with far lower adoption in rural areas, partially driven by the lack of access points described above⁶³
- These developments also contributed to a growing wealth gap between those with and without access to financial services⁶⁴
- In addition, a large and growing gender gap has been noted, partially due to emphasis on traditional access points to date, relative to digital alternatives⁶⁵

The NFIS 2016 had explored the use of non-traditional, low-cost access points to support expansion of financial services in rural areas. Accordingly, it had targeted the expansion of agent and mobile banking. Commercial banks rolled out various initiatives leveraging agent and mobile banking over the past few years and have made notable progress in increasing adoption of digital payments. However, implementation has also identified three key areas for improvement:^{66,67}

⁵⁹ Payments Instrument Issuers Directive; Use of Agents Directive, Consumer protection and cybersecurity regulations

⁶⁰ 3,450 bank and 1,680 MFI branches in 2016 to 6,508 bank branches and 2,007 MFI branches in 2020; NBE

⁶¹ Percentage of adults who report owning transaction accounts; Projections based on Findex 2017 & LSMS 2018/19

⁶² World Bank data on Ethiopia Geospatial mapping for financial inclusion, 2019

⁶³ Rural account ownership at 18%, while urban at 59%. In addition, only 18.6% of rural community has access to formal financial institutions within 5 km; while 90% of those in urban centers do; LSMS 2018/2019

⁶⁴ 43% of the richest 60% had accounts in 2017 (and registered a 17pp growth since 2014), while only 22% of the poorest 40% had accounts in 2017 (with only 7pp increase registered for the same time period)

⁶⁵ Studies show that digital financial services help expand FI to women: BTCA, 2020; CGAP. Similar patterns in Ethiopia noted with digital channels showing far lesser financial inclusion gaps: ATM (4pp), Online banking (1pp), Mobile Banking (2pp), compared to overall inclusion gap of 19pp; LSMS 2018/19; 2020 projection using LSMS 2016/17-2018/19 and the global Findex database

⁶⁶ ~8M mobile wallet accounts as of June 2020

⁶⁷ BCG report on How Mobile Money Agents Can Expand Financial Inclusion, 2019; NFIS Stakeholder Interviews

- Business case for agents and providers to scale sustainably in rural areas negatively impacted by low transaction volumes in rural areas and high initial cost of setting up an agent office
- Limited use cases that enable the use of digital payments
- Limited community awareness on the practicality and use of digital payments

This Program aims to resolve these specific challenges and drive increased adoption of digital payments in Ethiopia, leveraging a strong agent network.⁶⁸ It primarily focuses on mobile money as a key channel to drive expansion of digital payments, especially in rural areas and for excluded demographics such as women and lower-income households.⁶⁹ The expansion of traditional access points (such as bank and MFI branches) will be essential enablers to support a viable agent business case and further drive the agent network growth. Program A2 of this Strategy details this further.

Recently issued directives⁷⁰ lay the regulatory foundations for the success of this Program by allowing various non-bank and telecom companies to actively engage in issuing payment instruments⁷¹, and providing for non-exclusivity of agents. Continued expansion of payment instrument issuers and market entries, in line with these regulations and the NDPS, is a prerequisite for the success of this Program, and will continuously be monitored by the Financial Inclusion Secretariat and the NDPS Project Management Unit.

The success of this Program will be significantly enhanced with the improvement of basic infrastructure, such as power, telecommunications, and access to mobile phones. National plans are in place for their expansion⁷²; various additional strategies (including the NDPS and Digital Ethiopia 2025) also identify initiatives targeting these areas. The National Digital ID program (under development by the Ministry of Peace) is likewise a key enabler for this Program, allowing for unique identification of individuals, supporting Know Your Customer (KYC). Improvements across all these will enable faster scale of financial inclusion and will be continually tracked by the Financial Inclusion Secretariat to inform progress against targets (see Targets section).

Capitalizing on these foundations, four priority actions and two initiatives (as already addressed by NDPS) have been defined to address the aforementioned areas for improvement:

- Action 1: Enable sustainable digital payment agent network expansion by leveraging and supporting viable business cases;
- Action 2: Roll out digital payment agency service for SACCOs and MFIs;
- Action 3: Integrate and roll out digital payments (focused on mobile money) across priority G2P/P2G and social/humanitarian payments;

⁶⁸ The broader set of challenges in the digital payments space and solutions targeted for their resolution are covered in the National Digital Payment Strategy, NBE, 2020

⁶⁹ Evidence from multiple countries shows the value of mobile money/digital payments in driving financial inclusion; Ghana: How Ghana Became One of Africa's Top Mobile Money Markets, CGAP, 2018; China: World Bank: "Toward Universal Financial Inclusion in China: Models, Challenges, and Global Lessons", 2018; Chinese Academy of Financial Inclusion: "Digital Financial Inclusion in China", 2019; Uganda: Financial Inclusion Insights: "Uganda Wave 5 Report. Fifth Annual Fii Tracker Survey", 2018; India: The Economic Times, August 3, 2020 ("Bank accounts opened under Pradhan Mantri Jan Dhan Yojana crosses 40-crore mark")

⁷⁰ Licensing and Authorization of Payment Instrument Issuers Directive; Use of Agents Directive

⁷¹ Opening mobile wallets that are not linked to bank accounts

⁷² National Electrification Plan 2.0; Ministry of Innovation and Technology 10 year plan for telecom expansion

- Action 4: Develop and implement targeted and responsible awareness creation campaign on mobile money and agent use;
- Action 5: Expand payment schemes such as real time, national payment gateway, interoperability, and QR code (initiative); and
- Action 6: Expand ATMs, POS devices and internet banking services (initiative).

The success of this Program relies on the active participation of the private sector as developers of payment products, as agents and agent contractors, and as active marketers of payment products. The NDPS identifies the required changes to create market conditions that encourage participation of the private sector. This Program aims to guide private sector development towards advancing financial inclusion via digital payments.

***NB:** Within the context of this Program, an agent refers to an entity contracted by a financial institution to facilitate an agency business service in the name and on behalf of a financial institution. Agency business refers to transaction/cash-in, cash-out services and does not refer to insurance or saving agents; as defined in the Use of Agents Directive No. FIS/02/2020.*

4.3. Program A2: Drive Financial Inclusion in Severely Underserved Areas

Challenges and opportunities for socio-economic development and financial inclusion vary heavily by location-specific factors. Both the degree of current financial access and the viability of efforts to expand financial inclusion depend on the socio-economic profile of a given location. The following factors play an important role:

- **Mobile connectivity:** Mobile connectivity is a key enabler for financial services access points, especially agents
- **Electricity:** Electricity is needed for all forms of digital financial services with electricity cost being a significant factor in access point viability
- **Connectivity to larger financial infrastructure:** Due to the need of liquidity in cash, most access points rely on a nearby bank branch or ATM for cash liquidity management. This reliance is decreased when digital integration is achieved
- **Population density:** Total demand in a given area is driven to a large degree by the size of population - lower population density areas are less economically viable for financial access points
- **Wealth and income levels:** Expected revenues, and therefore viability, of access points is heavily dependent on average transaction values, which is driven by local wealth and income levels
- **Degree and type of economic activity:** The faster capital circulates in a given economy, the higher the demand for financial services; the structure of the local economy (such as flow of remittances) also impacts viability of financial access points
- **Financial awareness and literacy:** Speed of uptake of financial services is influenced by awareness and financial and digital literacy, which often varies significantly between locations

These factors are not independent; rather, they support and reinforce each other. In a positive direction, this is a major force behind urbanization. However, the potential disadvantage of this process is the neglect of already-underserved areas. Wealth, population density, infrastructure, and financial inclusion gaps could widen between the strongest areas (urban centers) and the weakest ones (extreme rural areas).

Various cross-sectoral policies and strategies, including the Rural Financial Intermediation Program (RUFIP) III and Digital Ethiopia 2025, recognize these challenges and define actions targeted at expanding fundamental infrastructure and capabilities in underserved areas.

In complement to these ongoing efforts, this Program aims to address areas for improvement for expanding financial inclusion in underserved areas, recognizing that such areas require tailored solutions and dedicated resources. Three main areas for improvement specific to underserved areas have been identified:

- Many severely underserved areas lack traditional financial infrastructure, especially MFI and bank branches, with some woredas often lacking even a single branch. Given the role of such branches as hubs in a network of smaller financial access points, this is an important area for improvement to expand financial inclusion
- Extremely sparse population density and very low economic activity make standard models for financial service provision economically unviable, posing challenges even to agent-based models
- Levels of financial inclusion, as well as overall socio-economic profiles, vary between Ethiopia's regions. Enabling relatively underserved regions to catch up will require sustained, focused and tailored solutions powered by dedicated resources

Six actions are designed to address these challenges:

- Action 1: Expand “traditional” financial infrastructure⁷³, especially bank and MFI branches, to cover severely underserved woredas as key enablers for agent networks and digital finance;
- Action 2: Design and pilot dedicated financial access approach for low-readiness areas to improve economic viability, including dedicated capability building;
- Action 3: Conduct studies to promote and expand traditional financial products and services that meet the needs of respective regions;
- Action 4: Establish Regional Council for Financial Inclusion (RCFI); and
- Action 5: Establish Regional Financial Inclusion Task Forces and design and publish Financial Inclusion Framework. and
- Action 6: Formulate and implement financial inclusion framework that is conducive and aligned to the circumstances of the regions

4.4. Program A3: Drive Financial Inclusion for Women

Box Note 3: Financial inclusion for women is a cross-cutting theme of this Strategy. This Strategy takes gender intentionality as an overall focus, and specific efforts and lenses are included throughout all Programs to ensure that all products, services, channels, and general initiatives are designed with women in mind. Program A3 will serve as the anchor point for this gender intentionality and focus.

However, this Program also provides a specific focus on high-priority women's financial inclusion

⁷³ Other programs such as DFS and financial education will be carried out in parallel under their own respective programs.

issues which will be addressed through Actions described. Program A3 also links with Program A1 and A2, leveraging digital and recognizing intersectionality of gender and location.

Importantly, this Program extends beyond scaling financial inclusion (primarily focused on payments) and into aspects of deepening financial inclusion. While a focus will be on increasing prevalence of basic financial inclusion⁷⁴ among women and closing the headline gender gap, efforts will also be initiated to drive uptake of savings, credit, and insurance among women. This Program will therefore link to and support efforts in Program B0-B3 for financial deepening through the WFITF.

Ethiopia has made substantial progress on overall gender equity in recent years. In 2020, Ethiopia was placed 82nd on global gender gap rankings, rising from 117th only two years prior and moving to 13th out of 34 Sub-Saharan African countries surveyed.⁷⁵

With respect to financial inclusion, however, gender equity has decreased. In particular, the gender gap in overall account ownership has expanded to an estimated 19 percentage points (pp) in 2020 from 2pp as of 2014,⁷⁶ larger than peer countries such as Uganda (13pp), Kenya (8pp), and India (6pp) as of 2017 (the most recent data available).⁷⁷ This gap varies across types of financial service providers and is most pronounced among more formal providers – 16pp with public banks and 8pp with private banks, vs. 3pp and 2pp with SACCOs and MFIs, respectively.⁷⁸ The account ownership gap is accompanied by gaps with respect to mobile money and mobile phones (women are 67% less likely to have mobile money accounts and 30% less likely to own/use a mobile phone); savings (women are 40% less likely to save); and credit (women half as likely to have an MFI or SACCO loan).⁷⁹

Given the role of financial inclusion as a fundamental enabler for growth, this gender gap reverberates throughout the economy. It likely is a key contributor to unequal opportunities: Ethiopia still ranks 125th globally in economic opportunity, which is partially linked to financial inclusion via access to credit.⁸⁰ This contributes to a dampening of growth and costs Ethiopia an estimated ~\$3.7B (~5% of GDP) annually, with 60% of this loss driven by a disadvantage for women’s agricultural and entrepreneurial activity.⁸¹

For these reasons, the Government of Ethiopia has identified reducing and closing the gender gap in financial inclusion as a key strategic priority. This Strategy identifies three areas for improvement:

- **Drivers for financial inclusion gap are not fully understood.** Comprehensive research on what causes the financial inclusion gender gap for women in Ethiopia has not been conducted and knowledge is limited. However, given international experience as well as tendencies in other parts of Ethiopia’s economy, drivers are likely to be a combination of: (a) gender gaps in fundamental enablers, such as phone ownership, income levels, and education – for example,

⁷⁴ E.g. uptake and usage of payments-enabled account (including mobile wallets)

⁷⁵ WEF report on the Global Gender Gap, 2020

⁷⁶ 2020 projection using LSMS 2016/17-2018/19 and the global Findex database

⁷⁷ Findex 2017

⁷⁸ 2020 projection using LSMS 2016/17-2018/19 and the global Findex database

⁷⁹ LSMS 2018/2019; National Financial Capability Survey 2017, Gallup World Poll on mobile phone ownership 2018

⁸⁰ WEF report on the Global Gender Gap, 2020

⁸¹ Due to lower productivity and participation by women. World Bank report “What Are the Economic Costs of Gender Gaps in Ethiopia?”, 2019

lack of collateral limiting credit access for women;⁸² (b) general societal norms favoring men;⁸³ (c) institutional patterns, such as limited number of women in financial institution leadership positions; and (d) partly driven by the first two factors, unmet gender-specific needs for particular financial products, channels or types of access points. It is unclear, however, what exactly within these categories contributes to the gender gap to what extent, and consequently unclear how to intervene most effectively.

- **Limited outreach and sign-up campaigns for women.** Active outreach, awareness and sign-up campaigns geared at directly increasing account ownership and account usage of unbanked adults in general, and women in particular are not a major part of the operating models of major financial institutions in Ethiopia.⁸⁴ This reliance on individuals taking personal initiative is likely to increase the impact of underlying gender gaps, for example, with respect to education, financial literacy, income and free time. Conversely, active outreach campaigns, that especially target women, could potentially reduce the gender gap even where underlying gender gaps persist.
- **Gender intentionality⁸⁵ within the financial sector is relatively rare.** The above two challenges can be regarded as specific instances of a more fundamental need for change. There generally is limited focus placed on women's inclusivity by institutions – this is a core up-stream driver of the gender gap. In the financial sector, sensitivity for gender issues and motivation to gear business towards women is limited, and there is no common framework, initiative, or target for women. This is mirrored by a lack of gender mainstreaming⁸⁶ in key initiatives by other stakeholders which indirectly contribute to financial inclusion, though a general national gender strategy is being drafted currently as part of the ten-year National Perspective Plan.⁸⁷ Effectively closing the gap will require stronger and more directed focus from all relevant parties.

This Program will address each of these areas for improvement by (1) achieving a deep understanding of what drives the financial inclusion gender gap, what specific barriers women face and which of their needs are unmet; (2) immediately begin closing the fundamental gender gap in account ownership by targeted awareness and enrollment campaigns; and (3) anchoring gender intentional efforts in the financial sector and in all financial inclusion efforts, thereby building gender inclusivity into Ethiopia's financial sector DNA.

⁸² For instance, women are far less likely to have a kebele ID, far less likely to own any type of collateral to access credit, and on average less financially aware and capable due to structural biases – 61% of rural women have heard of MFIs versus 78% of men, and only 27% know where and how to open an account versus 41% of men. And while Labor force participation is relatively strong within Sub-Saharan Africa at 77% (vs. 88% men), women face barriers to formal employment and the wage ratio is 63%; see National Financial Capability Survey 2017; World Bank data on ID for Development (ID4D), 2018; IMF report, “Women and the Economy in Ethiopia”, 2018

⁸³ E.g. social and legal factors creating barriers to education, formal employment and control of finances among others

⁸⁴ UNCDF report on Women and Girls Financial Inclusion in Ethiopia, 2017

⁸⁵ E.g. where initiatives integrate a gender lens within the approach, explicitly targeting reduction of gender gaps or increased understanding of gender gaps; BMGF definition 2020

⁸⁶ E.g. ensuring a lens for gender equity is integrated into the standard of practice of policy development, implementation, and a broad range of other activities across stakeholders; UN Women definition

⁸⁷ Linked to the MOWCY refreshed Ethiopian Women Development and Reform Strategy. NFIS stakeholder interviews Sep-Oct 2020

This will be accomplished specifically through the following four priority Actions and three Initiatives:

- Action 1: Establish a knowledge base on women's unmet financial needs and barriers to financial inclusion;
- Action 2: Launch women's account enrollment and educational outreach campaigns with a prioritized focus on youth, linking to NFES;
- Action 3: Promote at least ¼ of the Senior Management (VP and Directors) of the financial institutions to be women, who will be mainly dedicated to promote women financial inclusion;
- Action 4: Promote at least one woman to have a seat on the board of the financial institutions;
- Action 5: Study and formulate a policy to encourage and motivate women financial inclusion, such as allowing increased saving interest rate (Initiatives);
- Action 6: Study and establish credit guarantee scheme dedicated to women financing (Initiatives); and
- Action 7: Study and establish wholesale funding dedicated to women financing (to address liquidity issues of lending institutions, (Initiatives).

Program A3 intends to sustainably close the financial inclusion gender gap with a multifaceted supply and demand-side approach under an over-arching refocus on gender equity and intentionality. In addition to these Actions, gender-intentional lenses are present throughout all other Programs of this Strategy.

4.5. Program A4: Drive Sharia Compliant Financial Access Points

Expanding access points would create conducive environment to scale up sharia compliant financial transactions. Sharia compliant financial products and services providers i.e. Banks, Microfinance institutions, insurers and lease companies particularly those who stand with a full-fledged status will be encouraged and coordinated to expand their branch outlets around feasible areas especially where Muslim community dominates.

To address the issues, the following three priority actions under this program have been formulated:

- Action 1: Enhance ecosystem for Sharia-compliant financial access points and digital financial services by conducting a study, and designing interventions to drive scale;
- Action 2: Expand branches of financial institutions as an access point for sharia compliant products and services; and
- Action 3: Promote Sharia-compliant transaction accounts.

4.6. Program B0: Lay Foundations for Deepening of Innovative Conventional and Sharia Compliant Financial Services and Create Momentum

Programs A1-A3 focus on scaling basic financial access and usage with a strong positioning on digital payments and mobile money across all geographies and demographic groups, especially women. Programs B0-B3 chart a roadmap for the deepening of a broader range of financial services; in particular Program B0 addresses first-priority foundational initiatives to prime the ecosystem for expansion of all financial services beyond payments and create momentum for deepening, while Program B1-B3 address

additional market-building opportunities in yield-bearing⁸⁸ savings and pension (B1)⁸⁹, productive credit (B2)⁹⁰, and micro-insurance⁹¹ (B3).

Widespread access to and usage of financial services beyond payments – especially yield-bearing savings and pension, productive credit, and micro-insurance – is critical. Greater deepening within these services will contribute to a transformational effect along numerous development dimensions, particularly linked to macroeconomic and financial system stability and sectoral growth for agriculture and key industries.⁹² Maturation of these services will conversely itself be impacted by broader contributing factors outside the sole scope of financial inclusion, for example interest rates and inflation⁹³ which will affect trust and motivations for consumers and financial institutions.⁹⁴ These factors will also be coordinated outside of NFIS 2020 to benefit financial deepening, in addition to financial inclusion initiatives in this Strategy.

Until now, such services in Ethiopia have largely been provided through physical interaction with “brick and mortar” networks. The National Digital Payments Strategy is empowering the shift to a digital system by promoting mobile wallet uptake (among other channels) for payments, but the requirements for digitizing and expanding savings, credit, and insurance are beyond requirements for digital payments⁹⁵. A comprehensive new set of regulatory and infrastructural enablers are required to catalyze expansion and digitization of financial services beyond payments.

This Program describes Actions designed to lay the foundations for deepening of key financial services, building on the scale achieved from digital payments and combining both in-person and digitally-enabled elements. Four areas for improvement have been identified:

- **Cross-cutting foundations:** The regulatory / oversight and supporting environment are not yet consolidated and readied to fully address opportunities in micro-⁹⁶ and digital financial services beyond payments (yield-bearing savings and pension, productive credit, and micro-insurance), resulting in limited digital and agent network for services beyond payments and ‘Cash In Cash

⁸⁸ “Yield-bearing” savings defined as either interest-bearing savings accounts or Islamic / Sharia-compliant savings accounts which create gains through approaches such as profit sharing; both types accumulate value over time. Stores of value which do not bear yields (such as simple mobile wallets) are not included in this definition. Informal placement of deposits such as *Equb* or *Edir* are not included; while they may accumulate, they do not build yields

⁸⁹ Definition in this case includes general long-term savings; does not need to be linked to a formal pension program

⁹⁰ “Productive” refers to borrowing which supports the generation of income (versus “consumptive” borrowing such as regular household needs/wants). However, this Strategy also highlights a few specific use cases which are not traditionally “productive” but will be prioritized for developmental purposes; these include solar energy and water and sanitation. Source: FinDev Gateway, “Productive Versus Consumption Loans”, 2019

⁹¹ Defined as “Any form of protection against risks that is designed for and accessed by low income people, provided by different categories of carriers but operating on business principles of insurance and funded by premium”, in alignment with NBE “Licensing, License Renewal and Product Approval for Microinsurance Providers Directive No. SMIB/3/2020”. Can include both short-term and long-term insurance types for a variety of use cases

⁹² Homegrown Economic Reform Agenda 2019; Plan of Action for Job Creation, 2019

⁹³ Among other factors such as income levels and general education

⁹⁴ E.g. higher inflation rates destroy value if not stored in yield-bearing accounts; interest rates will have inverse effects on savings versus lending (ideally high savings rates/low lending rates would be available) but must balance

⁹⁵ Including provisions for digitization of account enrollment and policy/loan applications, onboarding, claims, account management, customer service, etc.

⁹⁶ E.g. referring to small-scale products and services for low-income populations, not MFI services specifically

Out' and potential consumer protection risks given new market dynamics. Opportunities that could significantly enhance these include:

- Market testing regulations and models for Digital Financial Services (DFS) providers and agents for savings, credit, and insurance
 - Operationalizing the NBE Consumer Protection and Financial Education Directorate (CPFED), National Financial Education Strategy (NFES), and Financial Education Fund (FEF)
 - Increased coordination to explore and enhance underlying infrastructures (such as information technology) for digitized savings, credit, and insurance
- **Conventional and Sharia compliant savings and pension mobilization:** Limitations to effectiveness of products, channels, and approaches (both interest-bearing and Islamic / Sharia-compliant) to draw short and long-term savings from emerging businesses and low-income populations
 - **Productive credit environment:** Early-stage infrastructure and limited presence of inclusive products on the market to serve collateral-constrained businesses and individuals
 - **Micro-insurance market:** Nascent landscape for insurance in general, and especially micro-insurance offerings (in agriculture, MSME, life, and health) best suited to financially-excluded businesses and population segments

Four Actions have been defined to address these areas for improvement:

- Action 1: Enhance and consolidate the regulatory and supporting environment for financial services beyond payments to facilitate digital channels and innovative offerings;
- Action 2: Enhance savings and pension ecosystem and offerings with focus on innovative products and mobilization outreach;
- Action 3: Enhance productive credit ecosystem and offerings through credit information and movable asset-based lending; and
- Action 4: Enhance micro-insurance ecosystem and offerings via business case and index data infrastructure.

Importantly, these initiatives will include not only foundational actions to lead into B1-B3 (such as regulation and infrastructure), but also immediate-impact actions executed during Program B0 itself to create momentum for deepening. Examples include mobilization and deposit collection campaigns for savings (B0.2), movable collateral community education and promotion efforts for credit (B0.3), and support for the launch of innovative offerings in micro-insurance (B0.4).

4.7. Program B1: Maximize Savings Mobilization

This Program lays out Actions to facilitate access to and usage of yield-bearing savings and pension for a wider population, crucially including underserved – largely rural – areas and excluded demographics, in particular women. The Actions described here build on those laid out in Program B0, in particular on a consolidated regulatory framework that facilitates digital channels and innovative products (Action 1) and foundational work for an improved savings and pension ecosystem (Action 2).

Learnings from these preceding Actions, including leveraging unexpected opportunities and mitigations for unforeseen risks, will inform subsequent work on driving access and usage of formal savings. Nonetheless, two potential areas for improvement for fully leveraging newly-created foundations and expand access to and usage of formal savings and pension can be anticipated:

- Demand and supply-side inertia and problems with initial business case risk delaying introduction and scaled adoption of digital savings and pension products
- Widespread community savings methods unlikely to fully benefit from advances made unless link to formal financial system is strengthened

Four priority Actions and one Initiative have been defined to address these areas for improvement:

The corresponding Program identifies:

- Action 1: Promote digital savings;
- Action 2: Carry out studies to introduce private pension scheme particularly for low income people;
- Action 3: Expand traditional financial savings;
- Action 4: Promote all G2p and P2G payments⁹⁷ to be made through bank and MFIs accounts; and
- Action 5: Work on members of cooperatives, Edir, community saving (Equb), Community health insurance scheme and others to promote account opening and savings with financial institutions (initiative).

4.8. Program B2: Expand Access to Financing

Box Note 4: Expanding access to financing is a key focus of a number of existing strategies:

- The Rural Financial Intermediation Program (RUFIP) III launched in October 2020 will provide ~\$300M in 2020-2025 to enhance the rural financial system with major actions related to credit access; RUFIP III in particular will require closest integration with Program B2 given its mandate is fully aligned to financial inclusion
- The Plan of Action for Job Creation (PAJC) was launched by the Jobs Creation Commission (JCC) and intends to generate jobs in key industrial and service sectors, with a major focus on Small and Medium Enterprises (SMEs) as a driver of this growth. Multiple credit access levers have been prioritized to support this
- Other initiatives such as the Ministry of Agriculture (MOA) draft ten-year strategy, Women Entrepreneurship Development Project (WEDP) and SME Financing Project (SMEFP) have complementary mandates to be aligned to as well

The Actions of this Strategy are aligned and coordinated strongly to complement the activities of RUFIP III, Plan of Action for Job Creation and other initiatives. The NFIS-II will leverage and build upon these initiatives while helping to convene financial inclusion stakeholders around them. Details on coordination are described in Action 1 of this Program and the Appendix section. Coordination continues from Action B0.3; refer to that Action for more information.

This Program lays out Actions for supporting credit market shaping and innovation of new financing products and services. The Actions described here build on those laid out in Program B0, in particular on a consolidated regulatory framework that facilitates digital channels and innovative products (Action 1) and foundational work for an improved productive credit ecosystem (Action 3).

⁹⁷ G2P, G2B, B2G, B2P, B2B, P2G, P2B, P2P

Learnings from these preceding Actions will inform subsequent work on driving access to financing. Nonetheless, given past developments and trends, two areas for improvement will require sustained attention and dedicated interventions:

- The proportion of loans to Micro, Small, and Medium Enterprises (MSMEs) has stagnated at 5% of private sector credit⁹⁸ (ETB 27 billion) versus an NFIS 2016 goal of 15%⁹⁹. In-depth research indicates that this is particularly driven by limited access to financing for small and medium enterprises (the “Missing Middle”), crucially including women-owned enterprises. Constrained financing to key industrial sectors (such as agro-processing, textiles and apparel, leather, construction, and more) has potential consequences on job creation
- The percentage of adults with a regulated credit account still remains at ~11%, versus a much higher NFIS 2016 goal;¹⁰⁰ this constrains families from accessing credit for key developmental needs

The first of these areas for improvement, and selected elements of the second, are extensively addressed in existing strategies and frameworks, in particular the Rural Financial Intermediation Program (RUFIP) III. The corresponding Action in this Strategy focuses on alignment between these strategies and identifies a limited number of complementary measures.

This Program intends to increase productive credit for enterprises (SMEs in key sectors and agriculture), and individuals by addressing structural/functional issues in the financial sector and improving products and services via the following three Actions and two initiatives:

- Action 1: Increase financing options for the “Missing Middle” (integration with RUFIP III and other strategies);
- Action 2: Promote responsible digital micro-credit products with appropriate guardrails;
- Action 3: Promote movable assets as collateral for loan;
- Action 4: Study to increase financing options for cooperatives (initiative); and
- Action 5: Study to increase financing options for households (initiative)

4.9. Program B3: Develop a Strong Micro-insurance System

This Program defines Actions for developing a strong micro-insurance system. The Actions described here build on those laid out in Program B0, in particular on a consolidated regulatory framework that facilitates digital channels and innovative products (Action 1), and foundational work for an improved insurance ecosystem (Action 4).

Learnings from these preceding Actions will inform subsequent work on driving access and usage of formal insurance. Three potential areas for improvement to fully leveraging the newly-created foundations and expanding formal insurance access and usage can be anticipated:

- In agriculture, insurance needs substantial scale to be successful, and this will require high investments and underlying financial structures, potentially too large for any single-market player to provide

⁹⁸ In addition to the proportion of agricultural loans as a percentage of private credit which overlaps with MSME loans; this has declined to 9% in 2020 from 17% in 2016. NBE June 2020 supply-side data

⁹⁹ NBE June 2020 supply-side data

¹⁰⁰ 2020 projection using LSMS 2016/17-2018/19 and the global Findex database, versus original goal of 40%

- In other types of insurance (enterprise insurance for Micro, Small, and Medium Enterprises (MSME); personal insurance for life, and health), healthy market-building and innovation is challenged by limited capacity and nascent business case
- Existing informal insurance (*Edir*) is unlikely to fully benefit from advances made unless link to formal financial system is strengthened

The corresponding Program identifies four priority Actions and one Initiative:

<u>Action 1:</u>	Scale national agricultural insurance (integration with MOA strategy and RUFIP III);
<u>Action 2:</u>	Promote market entry and innovation in micro-insurance, including via InsurTech;
<u>Action 3:</u>	Promote insurance for movable assets that serve as collateral for loan;
<u>Action 4:</u>	Expand and strengthen access and distribution channels for microinsurance; and
<u>Action 5:</u>	Link Edir to the formal financial system (initiative).

4.10. Program B4: Drive Sharia Compliant Financial Products and Services

Sharia compliant finance has its own products, services and contracts that differ from the conventional practices. Some of these include Mudaharabah (profit sharing), *adiah* (safekeeping), *Musharakah* (joint venture), Murababab (cost plus finance), *Ijar* (leasing), *Hawala* (an international fund transfer system), takaful (Islamic insurance), and sukuk (Islamic bonds).¹⁰¹ Due to ineffectiveness of products, channels, and approaches to draw short and long-term savings from emerging businesses and low-income opulations, however, sharia compliant savings, financing, insurance/takful and pension mobilization have been limited.

Ethiopia Socioeconomic Survey 2018/2019 carried out by CSA in 2018/2019 indicted that only 11.7% of Muslim adults' (ages 18+), own interest free banking accounts. The high level of exclusion, roughly 88%, among others, can be explained by lack of both access points and suitable products and services that conform to sharia principles and practices. To resolve the possible barriers and then deepen financial inclusion of adults who have been excluded due to religious reasons, the following four priority actions under this program have been mapped:

<u>Action 1:</u>	Enhance ecosystem for Sharia-compliant financial products and services by conducting a detailed study, and designing interventions to drive product availability and adoption;
<u>Action 2:</u>	Promote Sharia-compliant savings;
<u>Action 3:</u>	Promote Sharia-compliant financing and responsible digital micro-credit, with appropriate guardrails; and
<u>Action 4:</u>	Promote micro takaful (Islamic insurance).

4.11. C1: Cross Cutting - Financial Education and Consumers protection

This program is formulated to promote financial education and financial consumers' protection and guided by the National Financial Education Strategy (NFES) and Financial Consumers Protection Directive

¹⁰¹Excerpt from **Islamic finance products, services and contracts – Wikipedia** -https://en.wikipedia.org › wiki › Islamic_finance_product...

that are recently approved by the Board of the National Bank of Ethiopia. The Program identifies five priority Actions:

- Action 1: Create awareness and educate adults on account opening and saving, financing options, digital payments, microinsurance, use of agents and others;
- Action 2: Enhance financial literacy for regions, especially for low readiness areas, to expand outreach and promote account enrollment and deepening;
- Action 3: Launch special financial education interventions for women, edir etc. to expand the outreach and promote account enrollment and deepening;
- Action 4: Promote conventional and Sharia complaint financial education; and
- Action 5: Apply conventional and sharia compliant financial consumers' protection including digital financial services.

5. TARGETS & INDICATORS



5. Targets and Indicators

Defining and quantifying financial inclusion ambition levels in a transparent, ambitious, but realistic way is essential for achieving clear alignment of goals among stakeholders, prioritizing efforts and tracking progress by setting both the demand and supply side targets and indicators. To ensure maximum consistency, this Strategy sets targets and progress indicators based on the defined strategic priorities and corresponding action programs. It follows a three-tiered approach:

5.1. Demand Side Overall and Headline Targets

- **Demand side overall financial inclusion target: 70% of adults reporting formal account¹⁰² ownership** have been selected as the overall financial inclusion target for the NFIS 2020. This is a ~25pp. increase from the current ~45% of adults formally included. This target will be reached by the combined impact of the Programs and achievement of Program-level goals.¹⁰³
- **Demand side headline targets:** one for each of the identified strategic priorities (excluding two programs: the Key Strategic Enabler on data collection; and Foundational Program B0 on laying foundation for deepening), quantify the overall ambition for driving financial inclusion in the next five years. The results will be compared against the findings of CSA-LSMS results and Global Findex.
- **Supporting targets,** where applicable, help evaluate the impact of individual actions; also, a larger number of **additional monitoring indicators**, including splits by region, gender, age and others, is tracked regularly. These indicators serve as a basis for designing interventions and understanding root causes in new developments and as an early-warning system for unexpected developments (See Appendix 2 for the detail).

The below table summarizes the overall and headline targets set. Appendix 2 lists supporting indicators and additional monitoring indicators, and also provides details on the target-setting process. Processes for monitoring, evaluating and reporting progress against these targets are set out in the Implementation Framework that accompanies this Strategy.¹⁰⁴

¹⁰² As defined by the World Bank Global Findex: Formal account ownership refers to having an account at a bank or another type of financial institution, or use of mobile money. (must have used the formal account in the past 12 months to be regarded as a formal account owner).

¹⁰³ (1) Examining the current trends in financial inclusion, (2) Estimating the expected impact of the actions detailed in every Program, (3) Using international benchmarks to evaluate actions' impact in other countries, and (4) Model the interaction of various programs to come up with a unified figure for the overall target.

¹⁰⁴ Program A0 and B0 are not included in the quantitative targets because they are foundational tasks

Table 1: Demand side overall and headline financial inclusion target

Strategic priority	Indicator	Baseline (2020) [*]	2021	2022	2023	2024	Target (2025)	Source [‡]
Overall Target								
1. Overall financial inclusion target	% of adults reporting owning a formal financial account	45%	48%	52%	57%	63%	70%	Global Findex [◊]
Headline Targets								
2. Drive digital payments by scaling mobile money	% of adults reporting using digital payments in the past year	20%	24%	29%	35%	42%	49%	Global Findex [◊]
3. Drive financial inclusion in severely underserved areas	Percentage point gap in adults reporting formal account ownership (including mobile wallets) between underserved regions ⁺ and country average inclusion level	TBD ^z	TBD ^z	TBD ^z	TBD ^z	TBD ^z	TBD (50% of baseline gap)	LSMS financial inclusion module
4. Drive financial inclusion for women	Percentage point gender gap in adults reporting formal account ownership (including mobile wallets)	19pp.	20pp	21pp.	18pp.	14pp.	10pp.	Global Findex [◊]
5. Drive sharia compliant financial products and services	Number of Muslim adults reporting having transaction accounts	12%	13%	14%	15%	16%	18%	CSA LSMS financial inclusion module
6. Maximize savings mobilization	% of adults reporting using formal savings in the past year	30%	31%	32%	34%	37%	40%	Global Findex [◊]
7. Develop a strong micro-insurance	# of smallholder crop and livestock farmers insured	7%	8%	9%	10%	11%	12%	CSA LSMS financial inclusion module

* Baseline figures are based on 2020 projections based on Findex 2016 and LSMS 2016 and 2019 and will be updated once relevant 2021 data is available

‡ Headline targets are tracked annually. In the case where preferred demand-side data is not available, alternative data sources are used to estimate headline target progress

◊ Source potentially switched to revised LSMS or another source established with the Key Strategic Enabler program

⁺ Emerging Regions to be identified by Emerging Regions Task Force; targets to be reviewed and finalized subsequently

^z To be determined based on the baseline

Strategic priority	Indicator	Baseline (2020)*	2021	2022	2023	2024	Target (2025)	Source [‡]
system								
8. Advance financial education and consumers protection	Adults aware of financial products and services	49%	57%	61%	66%	70%	75%	CSA LSMS financial inclusion module

5.2. Supply side overall and headline targets

Although preference is given to demand-side data,¹⁰⁵ it may not always be readily available due to the lower frequency of demand-side surveys as compared to supply-side data sources. If reliable and recent demand-side data is unavailable, the supply-side indicators below will be used to track headline targets until reliable demand-side data is made available. The data will be collected with respect to each region, by gender and other indicators and used for monitoring of the progress of financial inclusion.

As indicated under section 5.1, the demand side targets and indicators, the supply side also follows the three tiered approach to chart targets and indicators for selected priorities and programs as summarized in the below table:

Table 2: Supply side Targets¹⁰⁶

Strategic priority	Alternative Indicator	Baseline (2020)*	2021	2022	2023	2024	Target (2025)	Alternative Source
1. Overall financial inclusion target	Number of formal accounts per 100 adults	159	183	210	244	286	337	NBE supply-side data
2. Drive digital payments by scaling mobile money	Number of digital accounts per 100 adults	25	40	60	85	105	120	NBE supply-side data
3. Drive financial inclusion in	Average number of formal	TBD [‡]	TBD according to the status of each Region					NBE supply-

¹⁰⁵ Demand-side data can help guide policies toward financially excluded groups, or identify which population groups concentrate the use of financial products and services (World Bank). It also overcomes the double-counting challenge, giving accurate estimate of proportions of the population that are financially included

¹⁰⁶ The supply side data will be subject to revision as more and reliable base line data will be available

* Baseline figures are based on 2020 projections in the Findex 2016 and LSMS 2016 and 2019, These will be updated once relevant 2021 data is available.

[‡] To be determined, based on the baseline

Strategic priority	Alternative Indicator	Baseline (2020)*	2021	2022	2023	2024	Target (2025)	Alternative Source
<i>severely underserved areas</i>	<i>accounts in emerging regions</i>							<i>side data</i>
4. Drive financial inclusion for women	<i>Number of formal female accounts per 100 adults (women)</i>	49	55	61	78	103	135	<i>NBE supply-side data</i>
5. Maximize savings mobilization	<i>Number of savings accounts per 100 adults</i>	134	143	150	159	181	217	<i>NBE supply-side data</i>
6. Expand MSME access to financing	<i>MSME credit volume as a % of private sector credit</i>	5%	6%	7%	8%	9%	10%	<i>NBE supply-side data</i>
7. Promote Micro insurance	<i>Number of micro insurance policies</i>	TBD	TBD	TBD	TBD	TBD	TBD	<i>NBE, Social health Scheme</i>
8. Lay down the foundation for Sharia Compliant products and Services	<i>Sharia Compliant transaction accounts (in Million)</i>	5.4	6	7.5	8.5	9.5	10	<i>NBE Supply side data</i>
9. Strengthen financial education and consumers protection	<i>Adults aware of financial products and services</i>	37	39	41	44	47	49	<i>Federal and regional Media, texts, face to face, regional data</i>

5.3. Supporting Indicators and Targets

In addition to the overall and headline targets, supporting indicators are established in order to evaluate the impact of individual actions. Note that these indicators help assess the degree to which actions were effective, not primarily whether they have been executed according to plan. Additionally, these indicators (mostly supply-side) may be used collectively to track the Programs should there be any challenges with the Program data collection (mostly demand-side).

These indicators shall be tracked annually, beginning in 2021. Appendix 2 illustrates the targets that will be tracked at Action level:

6. GOVERNANCE STRUCTURE



6. Governance Structure

6.1. Context

The National Financial Inclusion Strategy (NFIS) 2016 had developed a governance structure with representation across key institutions at various levels. It was responsible for the achievement of actions and targets defined in that strategy, while ensuring active coordination amongst stakeholders. The structure had four main units: The National Council for Financial Inclusion (NCFI) as the main decision making body; The Financial Inclusion Steering Committee (FISC) playing the advisory role; The Financial Inclusion Secretariat executing the central project management; and three Working Groups ensuring coordination at the implementation level.

The governance structure for this NFIS 2020 leverages (and keeps) the strengths of the previous governance structure, and addresses identified areas for improvement in a manner that meets implementation requirements going forward. The details of the changes incorporated to the original structure are provided in the appendix. New governance units are created only where necessary to ensure effective project management and Strategy success.

Accordingly, the overall set-up of the refreshed governance structure is similar to the original version. It retains the existing four main layers – Council, Steering Committee, Secretariat and Program Coordinators, Working Groups. However, changes are made to the composition, meeting cadence, operational requirements and at times structural set up of the units to address the areas for improvement identified. In addition, a fifth governance body – a Regional Council – will be set up for all regions. Overall, the governance structure is set up to effectively enable the program-based approach used within this Strategy.



6.2. Governance Structure

The NFIS 2020 governance structure is summarized in the image below:¹⁰⁷

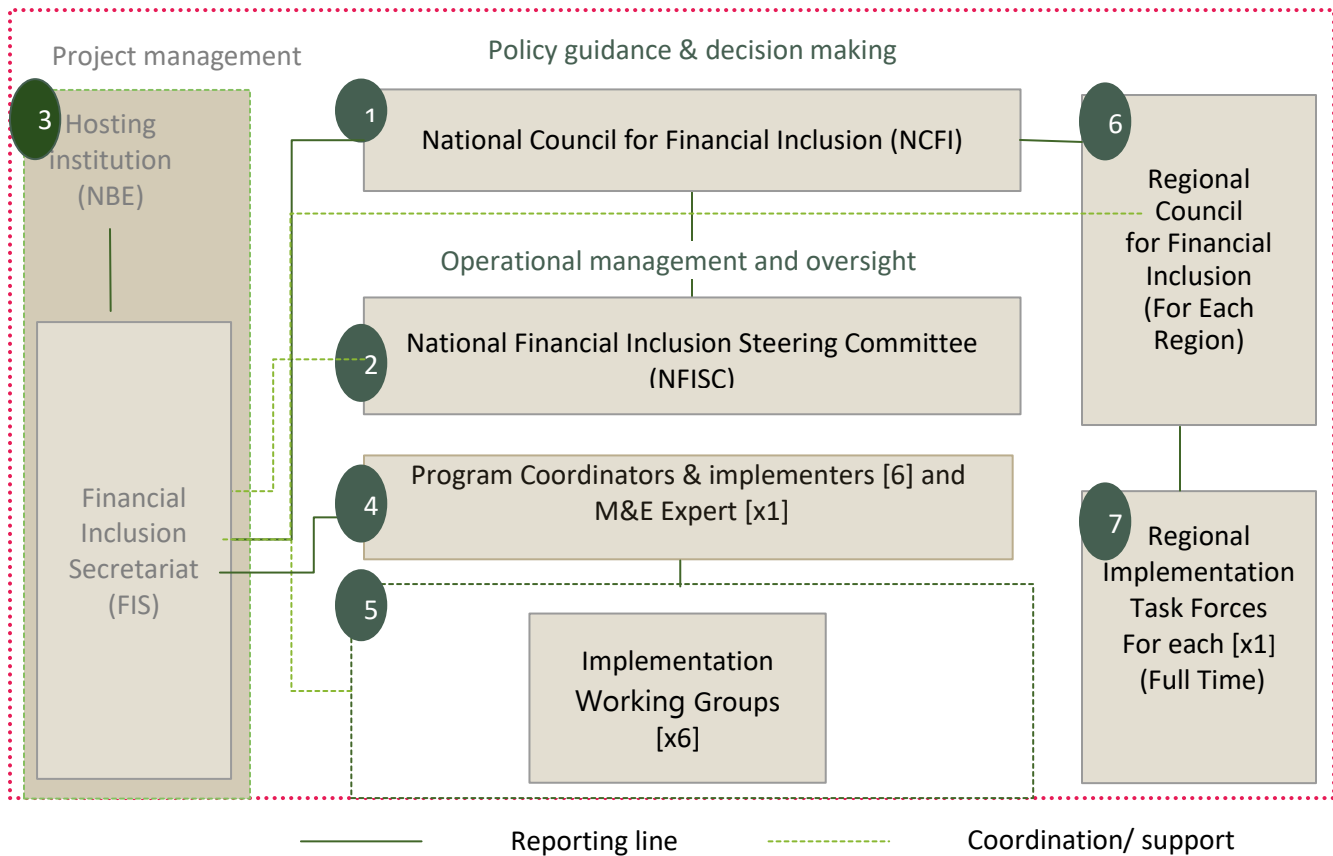


Figure 22: Refreshed NFIS Governance Structure

This proposed governance structure leverages the strengths of the previous structure and addresses identified areas for improvement. Five important changes are incorporated:

The next section details the governance structure. In addition, the separate NFIS implementation framework document expands on this and provides detailed roles, responsibilities, meeting cadence and proposed reporting and escalation measures for effective performance of the structure.

The governance structure has six main units to effectively coordinate and implement this Strategy. Below, the role of each unit is detailed:

6.2.1. National Council for Financial Inclusion (NCFI)

The NCFI is the policy level body, accountable to the Prime Minister, with the mission to foster financial inclusion. Its objective is to ensure effective leadership and coordination of public and private stakeholders' efforts toward advancing financial inclusion in Ethiopia. The Council's detailed roles and responsibilities are provided in Appendix 5 and the NFIS Implementation Framework document.

¹⁰⁷The necessary human resources supporting the M&E Expert and the Principal coordinators will be assigned as the volume of work warranted and in consultation with the Human Resource Management Directorate of the NBE

The Council is chaired by the Minister for Ministry of Finance (MOF), and the NBE Governor will be Vice Chairman. It has senior level representation from key institutions: Minister, Financial Advisor to the Prime Minister; Minister, Ministry of Agriculture; Minister, Ministry of Innovation and Technology; Commissioner, Planning and Development Commission; Director General, Policy Studies Institute; Vice Governor for Financial Institutions Supervision representing the National Financial Inclusion Steering Committee. The Director of the Financial Inclusion Secretariat (FIS) serves as the secretary for the Council, and represents the project management arm of the Strategy.

The Council convenes every three months to receive progress update on the implementation, provide guidance and make strategic decisions for the smooth operation of the Programs within this Strategy. The Council can, however, convene more times on a need-basis. Suggestions/requests to host need-based Council meetings can come from within the Council members or the FIS, while the decision to host one lies with the chair and vice-chair of the Council.

6.2.2. National Financial Inclusion Steering Committee (NFISC)

The NFISC provides policy and operational advise to the NCFI, the FIS as well as the RCFI and ensures coordinated efforts across Programs. As such, the Steering Committee is constituted of institutions that have a direct impact in driving the financial inclusion agenda; the program leads and co-leads for all programs.

Members of the Steering Committee¹⁰⁸ comprises selected state ministers, heads of institutions and associations: Ministry of Finance; Ministry of Peace; Ministry of Agriculture; Ministry of Education; Ministry of Women, Children and Youth; Ministry of Innovation and Technology; Job Creation Commission; Commercial Bank of Ethiopia; Development Bank of Ethiopia; Ethiopian Insurance Corporation; Ethio-telecom; Federal Cooperative Agency; Federal Small and Medium Manufacturing Industry Promotion Authority; Federal Urban Job Creation and Food Security Agency; Agricultural Transformation Agency; Ethiopian Bankers Association; Association of Ethiopian Micro-Finance Institutions; Association of Ethiopian Insurers; EthSwitch; Financial Education and Consumers Protection Directorate (to be established within the NBE) and Payment Settlement system Directorate, NBE . The NFISC will be chaired by the NBE Vice Governor for Financial Institution Supervision. Additional institutions can be invited to the steering committee on a need basis, but do not constitute the core of the committee.

The Steering Committee meets ones in two weeks to oversee progress, provide operational and policy guidance and troubleshoot bottlenecks. The FIS Director serves as the secretary to the steering committee and is responsible for providing progress reports to the Steering Committee and guides the decision-making process. In addition, the FIS Head supports the Steering Committee chair in calling for meetings in due time.

6.2.3. Financial Inclusion Secretariat (FIS)

The FIS is the central project management unit responsible for the active coordination of the NFIS across all layers of the governance structure and implementing institutions. The secretariat will continue to be housed within the NBE, under the Vice Governor for Financial Institution Supervision. The NBE is responsible to provide the necessary resources for the FIS to operate effectively, and the FIS will report

¹⁰⁸ The number and composition of the Steering Committee will further be initiated as need arises and based on the implementation of the actions of this strategy during the strategic period.

to the NBE on the utilization of the resources. It's main accountability on the NFIS will, however, be to the NCFI. Accordingly, it will report on the progress of the strategy to the NCFI. As the main unit within the NFIS governance structure fully dedicated to coordinating successful implementation of the entire Strategy, it serves a critical role in ensuring continued momentum towards delivery and achievement of all programs.

The Vice Governor for Financial Institution Supervision is accountable for staffing the secretariat. The Secretariat has eight (8) lead staff members: Director, one (1) Principal Data Expert and six (6) Principal Coordinators who are responsible for Programs A1, A2, A3, A4-B4, B0-B3 and C1 as provided in Appendix 1. The coordinators and the data expert will be supported by dedicated senior experts per Program. Their roles are summarized as follows:

- **FIS Director** leads the secretariat and ensures its coordination roles are achieved. The Director is also responsible for reporting progress on the Strategy to the Council and Steering Committee to inform of the decision-making process. In addition, the FIS Head supports the Vice Governor for Financial Institution Supervision in calling and organizing Council and Steering Committee meetings as per defined meeting cadence.
- **Data Expert** is a principal level expert that mainly tracks progress of Programs and Actions across the Strategy, and monitors progress. In collaboration with the Program Coordinators, s/he is responsible for developing progress reports on Actions and targets on a monthly basis to inform and guide Steering Committee and Council meetings. The Expert will also be closely engaged in the implementation of the Key Strategic Enabler Program – Program A0, financial inclusion data collection, analytics, reporting and management of the webpage of FIS.
- **Program Coordinators** – will be responsible for the active coordination of institutions towards the achievement of goals for the priority Programs under this Strategy¹⁰⁹. To ensure this, each Program Coordinator is responsible to call and organize their respective Program leadership team and working group meetings (in collaboration with respective chairs) as per the defined meeting cadence. They will be responsible for the implementation of action and targets in their respective programs.

The detailed roles of the secretariat and its members are provided in Appendix 5, and the NFIS Implementation Plan document.

6.2.4. Implementation Groups

Program level coordination and focus is achieved through six (6) implementation groups. Each group force oversees the implementation of a Program within this Strategy and comprises relevant institutions for the implementation of the actions defined. Lead institutions for the actions across the programs are engaged on a need basis and do not make part of core implementation groups, to ensure lean operational performance. These institutions include public, private and non-governmental institutions, depending on the cases and the programs.

The implementation groups and their institutional compositions are as follows:

- I. **Program A1: Digital Payments Working Group:** Ministry of Finance, Ministry of Innovation and Technology, Federal Cooperative Agency, the National Bank of Ethiopia (PSSD, MFISD),

¹⁰⁹ In the event that the FIS is assigned the role of coordinating implementation of the National Financial Education Strategy, a dedicated coordinator will be assigned to oversee the NFES, supported by a relevant team.

- Ethio telecom, Commercial Bank of Ethiopia, Eth-Switch, Association of Ethiopian Micro Finance Institutions (AEMFI) and the Ethiopian Bankers Association¹¹⁰. The NBE PSSD Directorate and Ethio-telecom serve as the lead and deputy lead¹¹¹, respectively.
- II. **Program A2: Regional Financial Inclusion Working Group**^{*112}: FIS, Commercial Bank of Ethiopia, Ethio telecom, Ethiopian Postal Services Enterprise, Association for Micro Finance institutions. The NBE BSD Directorate and the AEMFI serve as lead and deputy lead, respectively.
- III. **Program A3: Women’s Financial Inclusion Working Group**: Ministry of Finance, Ministry of Education, Development Bank of Ethiopia, Commercial Bank of Ethiopia, Association of Ethiopian Micro Finance Institutions, Ministry of Peace, Ministry of Women, Children and Youth (MOWCY), Planning and Development Commission, and Policy Studies Institute. MOF and MOWCY serve as the lead and deputy lead, respectively.
- i. Considering the transversal nature of gender intentional financial inclusion, the membership of the Women’s FI working group is structured so that at least one member of this group is assigned responsibility to ensure gender intentionality and effective coordination with one of the other program implementation groups.
 - ii. Each of these individuals will receive regular progress updates from their assigned implementation groups and are invited to all meetings to participate. The individuals are, however, not required to attend all meetings for their assigned implementation groups. As a measure to ensure that other groups implement actions with gender intentionality, each of the assigned individuals from the FI for Women Group has the right and obligation to escalate mis-alignment with gender intentional initiatives to the Steering Committee, and (where necessary) the Council to seek interventions and guidance that ensure gender intentional implementation across Programs.
- IV. **Program A4: Build Sharia Compliant Financial Access Points Working Group**
To coordinate, monitor and evaluate the programs, action and activities of sharia compliant access points, and products and services (Program B4), a principal coordinator will be placed and a working group will be set up. This will extend to regions as well (Program A2).
- V. **Deepening Programs:**
- i. **Program B0: Foundations for Deepening Working Group**: National Bank of Ethiopia, Policy Studies Institute, Ministry of Revenue, Ministry of Agriculture, Agricultural Transformation Agency, Federal Small & Medium Manufacturing Industry Promotion Authority, Federal Cooperative Agency, Central Statistics Agency, and Association for Ethiopian Micro Finance Institution. The NBE MFISD Directorate and AEMFI serve as lead and deputy lead, respectively. *[This group convenes only until Q4 2022 and is then divided into three product-specific groups in parallel with initiation of programs B1 to B3].*
 - ii. **Program B1: Saving Working Group**: Commercial Bank of Ethiopia, Ethiopian Bankers Association, Association of Ethiopian Micro Finance Institutions, Policy Studies Institute,

¹¹⁰ Relevant, additional payment sector associations will be engaged when legally established

¹¹¹ Respective roles of the program lead and deputy-lead are expanded in the implementation plan document

¹¹² Number of institutions to be decided based on the program implementation details which will identify specific regions

Federal Cooperative Agency. The AEMFI and FCA serve as lead and deputy lead, respectively. *[This Group first convenes in Q1 2023].*

- iii. **Program B2: Financing Working Group:** Commercial Bank of Ethiopia, Development Bank of Ethiopia, Ethiopian Insurance Corporation, Association of Ethiopian Micro Finance Institutions, Federal Cooperative Agency, Ministry of Agriculture, Agricultural Transformation Agency and Federal Small & Medium Manufacturing Industry Promotion Authority. The NBE MFISD Directorate and DBE serve as lead and deputy lead, respectively. *[This Group first convenes in Q1 2023].*
- iv. **Program B3: Insurance Working Group:** Ministry of Agriculture, Agricultural Transformation Agency, Central Statistical Agency, Ethiopian Insurance Corporation, Association of Ethiopian Insurers, and Association of Ethiopian Micro Finance Institutions. The NBE (ISD) and MOA serve as lead and deputy lead, respectively. *[This Group first convenes in Q1 2023].*
- v. **Program B4: Drive Sharia Compliant Financial Products and Services Working Group**
To coordinate, monitor and evaluate the programs, action and activities of sharia compliant products and services, a principal coordinator that also coordinate Program A4 will be placed and a working group, composed of relevant institutions, will be set up. This will extend to regions as well (Program A2).

VI. Program C1: Financial Education and Consumers Protection-Cross programs Working Group

On the basis of the NFES and FCP Directive, the Working Group will work together with lead Directorate in the NBE and ensures an ongoing awareness and financial education efforts across all programs. The implementation group comprises experts from MoE, FCA, AEMFI, EBA and AEI, Selected NGOs and financial institutions. The group at minimum will meet monthly and reports progress of respective Action plans, discuss problems, risks and mitigation measures and align on cross-cutting matters. They will also identify issues that would need to be escalated to Steering Committees for guidance, as necessary.

6.2.5. Regional Council for Financial Inclusion (RCFI)

The regional council serves as an extension for the NFIS governance structure and will be rolled out to all regions. The details of the implementation will be defined in coordination with efforts under Program A2. This will include selecting members and the operating model in relation to the NFIS governance structure.

6.2.6. Regional Task Force

Full time Task Force for all regions will be established in collaboration with the FIS and the NBE. Their functions will be defined based on the financial inclusion initiatives and designed in consultation with Regional Financial Inclusion Council. This ensures that the regional council is fit for purpose as a regional level implementation support structure complemented by regional task forces. Extension of the structure beyond regional level to other administrative layers (such as zone, woreda and kebele), will also be detailed.

As detailed in Programs A2, financial inclusion efforts for regions require sustained and dedicated efforts and go beyond the scope of the other Programs. In particular, part of these Programs consists of the design, and subsequent execution, of comprehensive research agendas and strategic frameworks. Dedicated Task Forces will assume these tasks; in addition to the structure of ordinary implementation groups. The Task Forces are composed of dedicated experts and coordination teams that are to implement the overall program and will be housed at the Regional Finance Bureau or other units as the may be convenient for the region

To ensure that Actions within Programs are clearly aligned by the leadership and implementing teams at executing institutions, each implementation group will include leadership (director) and working level (expert) members from each institution. Both levels of the group can meet independently for efficient decision-making and working collaboration. At a minimum, however, the full group will meet at least once a month. This structure ensures authority to make commitments with home institutions, including leveraging home institution staff and resources, thereby ensuring that specific activities, including associated goals and targets are assigned clearly to an institution. As and where possible, at least 1/3 of the task force will be women to ensure inclusivity at Strategy level. This will be executed following global best practices. In addition to inclusivity, evidence from various studies indicates that having women leadership yields stronger social commitment and better operational performance.^{113,114}

For effective project implementation, the implementation groups will meet at minimum monthly. During the meeting, implementing institutions will report on progress of respective Action plans, discuss problems, risks and mitigation measures and align on cross-cutting matters. They will also identify issues that would need to be escalated to Steering Committees for guidance, as necessary.

¹¹³ ILO - Women in leadership bring better business performance; i.e. University; Female Leadership: The Impact on Organizations

¹¹⁴ A Harvard Law School study recommends more active involvement of female leaders in key governance roles to drive operational performance. Female Directors, Board Committees and Firm Performance, HLS

7. IMPLEMENTATION PLAN, M&E AND RISK FRAMEWORK



7. Implementation Plan, Monitoring and Evaluation and Risk Framework

7.1. Detailed Implementation plan

Implementation plan for this Strategy is designed in accordance with best practices, and lessons learned from the implementation of the NFIS 2016. Accordingly, five key principles are leveraged to design an effective and efficient implementation plan that ensures successful achievement of intended targets. Collectively, these principles inform the design of the implementation plan for this Strategy.

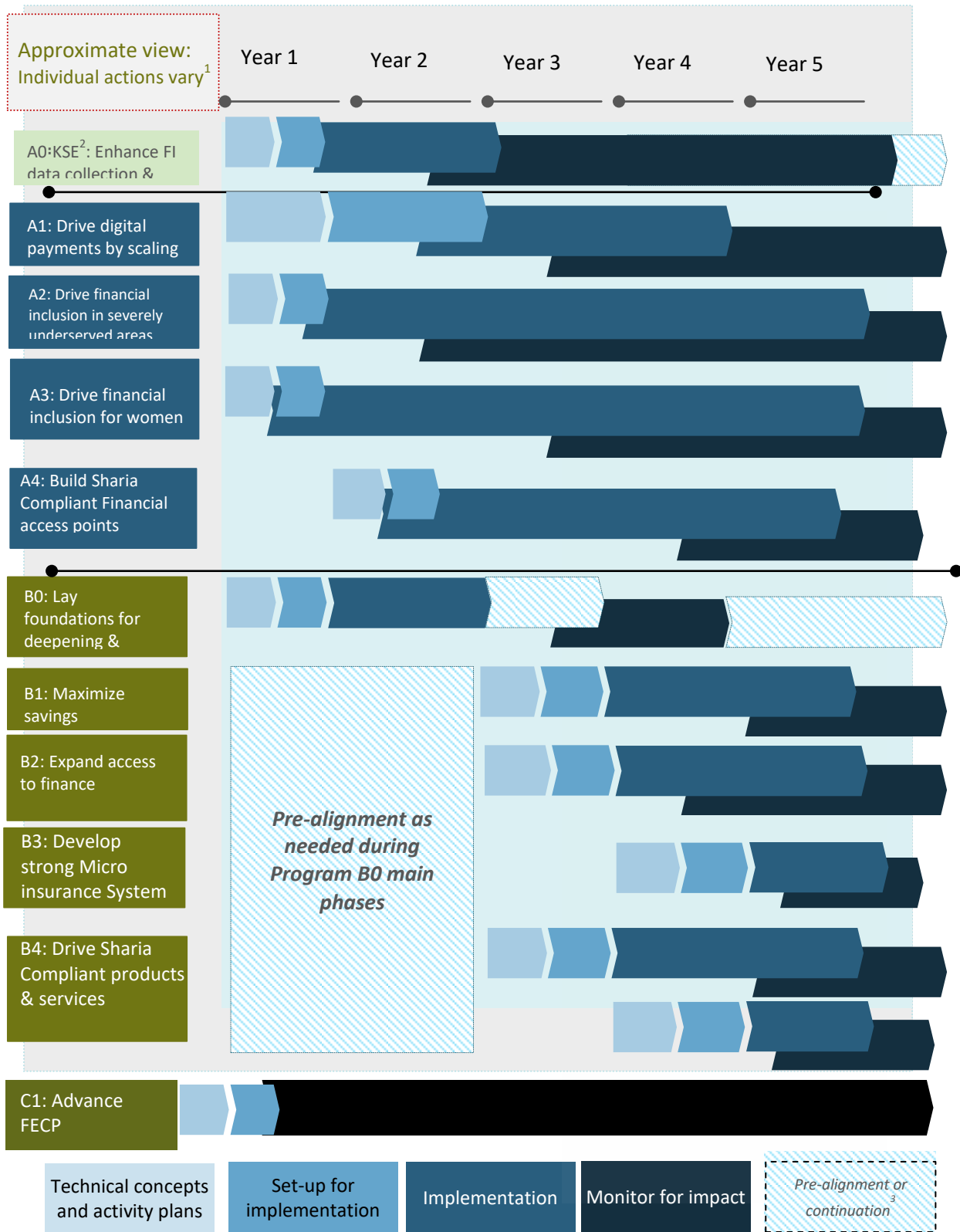
1. **Specific and measurable:** Actions and activities are clearly defined, with specific deliverables & concrete outputs marking completion and enabling effective progress measurement
2. **Achievable and result oriented:** Actions within this Strategy are designed to achieve clearly articulated results. Action-level targets are developed considering experience and speed of progress in comparable countries, and are aligned with the overall and program-level targets
3. **Time bound:** all Actions, activities, outputs and targets within this Strategy are mapped onto a single timeline, which accounts for interdependencies & priorities across the programs.
4. **Systematic:** efficient and purpose driven implementation is enabled by program-based approach in this Strategy, where action level interdependencies are mapped, and implementation is focused
5. **Agile:** overall implementation and governance structure is clear. It includes systematic processes for speedy identification of problems, clear triggers for escalation, and effective adjustment to changes, without disrupting workflow

A separate implementation framework document accompanying this Strategy expands on the implementation planning with the following:

- Detailed governance structure charters with roles, responsibilities, and engagement models to ensure effective coordination for implementation
- Implementation plan detailing objectives, activities and output at Action, Program and overall Strategy level to provide a systematic guide for implementation
- A monitoring and evaluation framework with a clear and structured set of tracking, reporting and escalation measures to ensure effective progress mapping during implementation
- Detailed list of risks and potential mitigation measures at Action and overall Strategy level to help navigate potential bottlenecks during implementation
- Finally, a set of key steps to guide kick-off for implementation of the overall Strategy

Overall, the full breadth of this Strategy will be implemented over a 5 year horizon. With anticipated start in Q1 2021, the implementation will be completed by Q4 of 2025. The Programs within this Strategy are sequenced within the five year period. To ensure effective adaptation to a changing ecosystem, a mid-term review of the National Financial Inclusion Strategy, including review of implementation progress against targets, outputs, potential unforeseen consequences, and new risks and opportunities will be conducted. The structure of the overall Strategy, its Programs, Actions and implementation may be adjusted to reflect learnings from the review.

Below, a summary view of the implementation roadmap at the overall Strategy level is provided.



1. Illustrative based on which year the majority of actions within each Program have their phase aligned to; note that many phases overlap and/or cross multiple years. For detailed timelines please refer to the Annex; 2. KSE = "Key Strategic Enabler" program; 3. Not a standalone phase – merges into either stage 1 or 4

Figure 23: Overall implementation roadmap

7.2. Monitoring and Evaluation Framework

The robust monitoring and evaluation (M&E) system detailed in this Strategy will track strategy progress, identify obstacles in Strategy implementation and demonstrate the results of financial inclusion efforts in Ethiopia. The M&E system is comprised of three main elements:

7.2.1. Enhance data collection and analytics

Across all Programs, reliable, widely trusted, sufficiently fine-grained and regularly refreshed data on the state of financial inclusion in Ethiopia is essential for understanding and communicating financial inclusion progress, identifying barriers, designing interventions, and assessing the impact of efforts made. This Strategy thus defines an additional Program for expanding financial inclusion data capabilities. This Program identifies three priority Actions:

1. Improve supply-side data collection by including demographic (including gender-disaggregated) and geospatial breakdowns
2. Define and implement integrated analytical framework for demand-side data and optimize collection
3. Create and maintain a central Financial Inclusion Database

7.2.2. Strategy tracking framework:

- Execution tracking will assess if implementation is on course to complete all actions & activities as planned, and if all scheduled outputs are available
- Impact target tracking will compare progression towards quantitative targets against interim milestones, and gauge the impact of strategic actions on Financial Inclusion

7.2.3. Reporting and escalation measures¹¹⁵

- A regular reporting mechanism will provide consistent progress updates against targets & KPIs, with focus on new risks and opportunities
- Escalation measures will provide an avenue for exception-based reporting; when defined targets are not reached, or might not be reached, to ensure mitigation efforts are carried out in time to resume implementation of the NFIS as planned.

7.3. Mid-term Review

To ensure effective adaptation to a fast changing and dynamic ecosystem, a mid-term review of this Strategy will be conducted, including assessment of implementation progresses against targets, outputs, potential unforeseen consequences and emerging risks and opportunities.

7.4. Risk and Mitigation Measures

The effective implementation of the NFIS 2020 will require adequate planning for potential risks and developing mitigation measures accordingly. Each of the actions within this Strategy has specific risks and mitigation measures that have been mapped at the action level. These risks and mitigation measures are detailed in the Implementation Framework document that accompanies this Strategy.

¹¹⁵ Note: the reporting and escalation measures provided here are indicative and will be finalized with key stakeholders after approval of the NFIS 2020.

Appendix 1: Summary table of Programs, Actions and leads

Programs and Actions Summary List	Lead Institution
Key Strategic Enabler A0: Enhance financial inclusion data collection and analytics	NBE (FIS)
1. Improve supply-side data collection by including demographic and geospatial breakdowns	NBE (FIS)
2. Define and implement integrated analytical framework for demand-side data and optimize collection	NBE (FIS)
3. Create and maintain a central Financial Inclusion Database	NBE (FIS)
Program A1: Drive digital payments by scaling mobile money	NBE (PSSD)
1. Enable sustainable digital payment agent network expansion by leveraging and supporting viable business cases;	NBE (PSSD)
2. Roll out digital payment agency service for SACCOs and MFIs;	FCA
3. Integrate and roll out digital payments (focused on mobile money) across priority G2P/P2G and social/humanitarian payments;	Eth-Switch/MoF
4. Develop and implement targeted and responsible awareness creation campaign on mobile money and agent use;	NBE (CPFED)
5. Expand payment schemes such as real time, national payment gateway, interoperability, and QR code (initiative); and	PSSD, Ethswitch
6. Expand ATMs, POS devices and internet banking services (initiative).	Banks, MFIs
Program A2: Drive financial inclusion for underserved areas	NBE (BSD)
1. Expand “traditional” financial infrastructure ¹¹⁶ , especially bank and MFI branches, to cover severely underserved woredas as key enablers for agent networks and digital finance;	NBE (BSD, MFISD)
2. Design and pilot dedicated financial access approach for low-readiness areas to improve economic viability, including dedicated capability building;	NBE (BSD)
3. Conduct studies to promote and expand traditional financial products and services that meets the needs of respective regions	<i>[Regions FI Task Force Lead]</i>
4. Establish Regional Council for Financial Inclusion (RCFI);	FIS, WG
5. Establish Regional Financial Inclusion Task Forces and design and publish Financial Inclusion Framework. and	<i>FIS, NCFI</i>
6. Formulate and implement financial inclusion framework that is conducive and aligned to the circumstances of the regions	<i>FIS, RCFI and Task Forces</i>
Program A3: Drive financial inclusion for women	MOF
1. Establish a knowledge base on women’s unmet financial needs and barriers to financial inclusion;	<i>[Women’s FI WG]</i>

¹¹⁶ Other programs such as DFS and financial education will be carried out in parallel under their own respective programs.

Programs and Actions Summary List	Lead Institution
2. Launch women's account enrollment and educational outreach campaigns with a prioritized focus on youth, linking to NFES;	[Women's FI WG]
3. Promote at least ¼ of the Senior Management (VP and Directors) of the financial institutions to be women, who will be mainly dedicated to promote women financial inclusion;	FIS, Supervision Directorates
4. Promote at least one woman to have a seat on the board of the financial institutions;	FIS, Supervision Directorates
5. Study and formulate a policy to encourage and motivate women financial inclusion, such as allowing increased saving interest rate (Initiatives);	FIS, Women's FI Task Force Lead,
6. Study and establish credit guarantee scheme dedicated to women financing (Initiatives); and	FIS, Women's FI Task Force Lead,
7. Study and establish wholesale funding dedicated to women financing (to address liquidity issues of lending institutions, (Initiatives).	FIS, Women's FI Task Force Lead,
Program A4: Drive Sharia compliant financial access points	BSD, MFIS, ISD
1. Enhance ecosystem for Sharia-compliant financial access points and digital financial services by conducting a study, and designing interventions to drive scale;	FIS Working Group, Regional Task force
2. Expand branches of financial institutions as an access point for sharia compliant products and services; and	FIS Working Group, Regional Task force
3. Promote Sharia-compliant transaction accounts.	FIS Working Group, Regional Task force
Program B0: Lay foundations for deepening of innovative financial services and create momentum	NBE (MFISD)
1. Enhance and consolidate the regulatory and supporting environment for financial services beyond payments to facilitate digital channels and innovative offerings;	FIS, Working Groups, Regional task force
2. Enhance savings and pension ecosystem and offerings with focus on innovative products and mobilization outreach;	AEMFI
3. Enhance productive credit ecosystem and offerings through credit information and movable asset-based lending; and	NBE (MFISD)
4. Enhance micro-insurance ecosystem and offerings via business case and index data infrastructure.	ATA
Program B1: Maximize savings mobilization	AEMFI
1. Promote digital savings;	CBE, PSSD
2. Carry out studies to introduce private pension scheme;	AEMFI
3. Carry out studies to introduce private pension scheme particularly for low income people;	EIC, AEMFI

Programs and Actions Summary List	Lead Institution
4. Promote all G2p and P2G payments ¹¹⁷ to be made through bank and MFIs accounts; and	PSSD, EBA, EIA, BSD, AEMFI, MFISD
5. Work on members of cooperatives, Edir, community saving (Equb), Community health insurance scheme and others to promote account opening and savings with financial institutions (initiative).	PSSD, EBA, EIA, BSD, AEMFI, MFISD
Program B2: Expand access to financing	NBE (MFISD)
1. Increase financing options for the “Missing Middle” (integration with RUFIP III and other strategies)	NBE (MFISD)
2. Promote responsible digital micro-credit products with appropriate guardrails;	NBE (CPFED)
3. Promote movable assets as collateral for loan;	FIS, CRMCRD
4. Study to increase financing options for cooperatives (initiative); and	Working Group, FIS
5. Study to increase financing options for households (initiative)	Working Group, FIS
Program B3: Develop a strong micro-insurance system	NBE (ISD)
1. Scale national agricultural insurance (integration with MOA strategy and RUFIP III);	MOA
2. Promote market entry and innovation in micro-insurance, including via InsurTech;	AEI
3. Promote insurance for movable assets that serve as collateral for loan;	AEMFI
4. Expand and strengthen access and distribution channels for microinsurance; and	AEMFI
5. Link Edir to the formal financial system (initiative).	FIS, ISD, EIA
Program B4: Drive Sharia compliant financial products and services	
1. Enhance ecosystem for Sharia-compliant financial products and services by conducting a detailed study, and designing interventions to drive product availability and adoption;	BSD, MFISD, ISD
2. Promote Sharia-compliant savings;	BSD, MFISD
3. Promote Sharia-compliant financing and responsible digital micro-credit, with appropriate guardrails; and	BSD, MFISD
4. Promote micro takaful (Islamic insurance).	ISD
Program C1: Cross Cutting – Financial Education and Consumers Protection	
1. Create awareness and educate adults on account opening and saving, financing options, digital payments, microinsurance, use of agents and others;	FIS, FECPD, AEMFI, FCA
2. Enhance financial literacy for regions, especially for low readiness areas, to expand outreach and promote account enrollment and deepening;	FIS, FECPD, AEMFI, FCA
3. Launch special financial education interventions for women, edir etc. to expand the outreach and promote account enrollment and deepening;	FIS, FECPD, AEMFI, FCA
4. Promote conventional and Sharia complaint financial education; and	FIS, FECPD, AEMFI,

¹¹⁷ G2P, G2B, B2G, B2P, B2B, P2G, P2B,P2P

Programs and Actions Summary List	Lead Institution
	FCA
5. Apply conventional and sharia compliant financial consumers' protection including digital financial services.	FIS, FECPD, AEMFI, FCA

Note FIS: Coordinates, monitor and **evaluate the overall execution of the strategy** in close collaboration with lead institutions, working group and a taskforce.

Appendix 2: Supporting indicators & Targets

Table 1: Supporting targets

Strategic priority	Action	Indicator	Baseline (2020)*	2021	2022	2023	2024	Target (2025)	Source
Drive digital payments by scaling mobile money	Enable sustainable agent network expansion by leveraging and supporting viable business cases	Number of active unique digital payment/mobile money agents	40K	83K	125K	166K	208K	250K	NBE
	Roll out agency service for all SACCOs and MFIs	Percentage of SACCOs and MFIs licensed as digital payment/mobile money agents	TBD	TBD	TBD	TBD	TBD	90%	FCA/NBE
	Develop and implement awareness creation and education campaign on mobile money and agent use	Percentage of adults reporting knowledge of mobile money	14% ⁿ	30%	45%	55%	65%	75%	LSMS
Drive financial inclusion in severely underserved areas	Expand “traditional” financial infrastructure, especially bank and MFI branches, to cover severely underserved woredas as key enablers for agent networks and digital finance	Percentage of total branches opened in woredas with no existing bank branch	TBD	10%	10%	10%	10%	10%	World Bank Geospatial Mapping for Financial inclusion
Drive financial inclusion for women	Launch women's account enrollment and educational outreach campaigns with a prioritized focus on youth, linking to NFES	Formal female accounts per 100 adults (women)	130	165	189	220	258	304	NBE

* Baseline figures are based on 2020 projections in Findex 2016 and LSMS 2016 and 2019. These will be updated once relevant 2021 data is available.

ⁿ Proxy from the percentage of adults who report knowledge of mobile money agents.

Strategic priority	Action	Indicator	Baseline (2020)*	2021	2022	2023	2024	Target (2025)	Source
Maximize savings mobilization	Promote launch of digital savings and pension	Number of digital savings accounts per 100 adults	N/A ^U	neg ^μ	neg ^μ	2	7	15	LSMS NBE
Expand access to financing	Increase financing options for the “Missing Middle” (integration with RUFIP III and other strategies)	1. Percentage of MSME loans as a percentage of private credit	5%	5.8%	6.8%	8.0%	9.4%	10%	NBE
		2. Percentage of agriculture loans as a percentage of private credit	9%	9.5%	10.7%	12.0%	13.4%	15%	NBE
	Promote launch of responsible digital micro-credit products with appropriate guardrails	Number of digital credit accounts per 100 adults	N/A ^U	neg ^μ	neg ^μ	0.5	1.2	2.5	NBE
Develop a strong micro-insurance system	Promote market entry and innovation in micro-insurance, including via InsurTech	Number of formal insurance policies per 100 adults (includes insurance cos., microinsurance, MFIs and SACCOs., excludes credit-life insurance)	2.2	2.3	2.6	3.0	3.4	4.0	NBE
	Link Edir to the formal financial system	Number of formalized <i>Edir</i> accounts nationally	N/A ^U	TBD	TBD	TBD	TBD	TBD	NBE

Beyond Programs and their respective Actions, there are various dimensions of financial inclusion that are still important to monitor as they influence the outcome of the strategic objectives.

Additional indicators for monitoring

The table below illustrates indicators that will be monitored nationally, regionally and by gender, in order to provide more granular data for regulatory bodies and financial institutions to intervene in specific areas of interest.

^U The indicators are not currently tracked (or products have not been rolled out) but will be filled out when information is available from new supply-side templates and new demand-side survey questions.

^μ Negligible

Note: The table above illustrates the expectation of various monitoring indicators at a national level. These are not to be understood as targets, and overall financial inclusion success is possible even if development remains below expectations. Nonetheless, divergence may indicate unexpected new threats or developments, and may give rise to the definition of new interventions (e.g. as part of the mid-term review). Tracking development against the annual expectations set out below can thus serve as an “early-warning system”.

Note further that the Emerging Region Task Force and the Gender Task Force are responsible for developing a framework to track these indicators by both regions and gender. This data will be used by the Data expert¹¹⁸ to analyse regional and gender disaggregated data to identify areas of improvement in various areas and carry out root cause analyses in the event targets are not met. This table may be updated with new relevant indicators, or data points, if necessary.

Table 2: Indicators tracked regionally and by gender¹¹⁹

Category	Indicator	Baseline (2020)	Expected development – divergence may indicate threats to or opportunities for financial inclusion					Source
			2021	2022	2023	2024	2025	
Access points	Number of access points per 100,000 adults	122	195	263	327	386	442	NBE
	Number of commercial bank branches per 100,000 adults	11.8	12.6	13.4	14.1	14.8	15.4	NBE
	Number of MFI branches per 100,000 adults	3.6	5.4	7.1	8.7	10.2	11.5	NBE
	Number of insurance branches per 100,000 adults	1.1	1.2	1.2	1.3	1.4	1.5	NBE
	Number of POS terminals per 100,000 adults	17.8	To be updated with the NDPS targets					NBE
	Number of ATMs per 100,000 adults	11.4	To be updated with the NDPS targets					NBE
	Number of agents per 100,000 adults	76	147	212	274	331	385	NBE
	Percentage of people living within five km of a financial access point	41%	44%	48%	52%	57%	62%	LSMS
Awareness	Percentage of adults that are aware of account opening	50%	53%	57%	62%	68%	74%	LSMS
	Percentage of adults familiar with mobile money agents	14%	30%	45%	55%	65%	75%	LSMS

¹¹⁸ See the Revised governance structure, under the Financial Inclusion Secretariat

¹¹⁹ All the indicators should be tracked regionally. Indicators tracked by gender are all awareness, adoption and usage indicators, and “percentage of people living within five km of a financial access point”.

Category	Indicator	Baseline (2020)	Expected development – divergence may indicate threats to or opportunities for financial inclusion					Source
			2021	2022	2023	2024	2025	
	Percentage of adults familiar with bank agents	13%	30%	45%	55%	65%	75%	LSMS
	Percentage of adults familiar with ATMs	29%	38%	48%	57%	66%	75%	LSMS
	Percentage of adults familiar with interest-free banking	30%	34%	38%	42%	46%	50%	LSMS
Adoption	Number of formal accounts per 100 adults (including mobile money)	159	183	210	244	286	337	NBE
	Number of savings accounts per 100 adults (including mobile money)	134	140	153	172	198	227	NBE
	Number of credit accounts per 100 adults (including digital credit)	10.2	10.2	10.6	11.7	12.8	13.8	NBE
	Number of insurance policies per 100 adults (including digital insurance)	2.2	2.3	2.6	3.0	3.4	3.9	NBE
Usage	Percentage of adults who report using a formal account in the past year (overall target)	45%	48%	52%	57%	63%	70%	LSMS
	Percentage of adults who report using a formal savings account in the past year (headline target)	30%	31%	32%	34%	37%	40%	LSMS
	Percentage of adults who report using formal credit	11.0%	11.2%	11.5%	11.9%	12.6%	13.2%	LSMS

Financial inclusion is dependent on a number of other factors and socio-economic developments. Crucially, infrastructural components such as electricity and mobile network coverage are important drivers of awareness, access, adoption, and usage. It is important to monitor the progress of these indicators as constraints on potential financial inclusion interventions. The table below illustrates the indicators that will be monitored to aid in the root cause analysis of financial inclusion should targets not be met:

Table 3: External indicators

Category	Indicator	Baseline	Expected state of indicators by 2025	Source
Infrastructure and Connection	Percentage of population with access to electricity	45% ¹²⁰	100% ¹²¹	World Bank
	Mobile network coverage (3G)	85% ¹²²	98% ¹²³	GSMA Mobile Connectivity Index
	Mobile connections (unique subscriber penetration)	36% ¹²²	60% ¹²⁴	GSMA Mobile Connectivity Index
	Internet connection penetration	39% ¹²²	60% ¹²⁴	GSMA Mobile Connectivity Index
Education	Adult literacy rate	51% ¹²⁵	TBD ¹²⁶	LSMS
	Awareness of financial products and service (average scores) ¹²⁷	47% ¹²⁸	75% ¹²⁹	NFES
	Number of adults who attended financial education programs (millions)	37 ¹³⁰	49 ¹³⁰	NFES

¹²⁰ 2018

¹²¹ National electrification plan 2.0, 2019

¹²² 2019

¹²³ Source: Addis fortune: Authority writes law to boost Telcom access

¹²⁴ Source: Innovation and Technology ten-year plan; MINT; 2020. Plan by 2025 (end of 2017 Ethiopian calendar year)

¹²⁵ To be obtained from the LSMS 2018/2019. Placeholder from World Bank data

¹²⁶ To be obtained from the ten-year National Perspective Plan

¹²⁷ To calculate the average score, the methodology includes taking the most known financial products and services (saving, credit, payment, insurance, pension etc..), and weighting each term as “1” and taking the percentage mean average of adults who report being able to understand each term.

¹²⁸ Baseline: World Bank Financial Capability Survey 2017 is the latest demand-side data, which is used as a proxy to forecast 2025 targets

¹²⁹ NFES 2020

¹³⁰ 2017 NFES baseline

Appendix 3: Alignment with other strategies

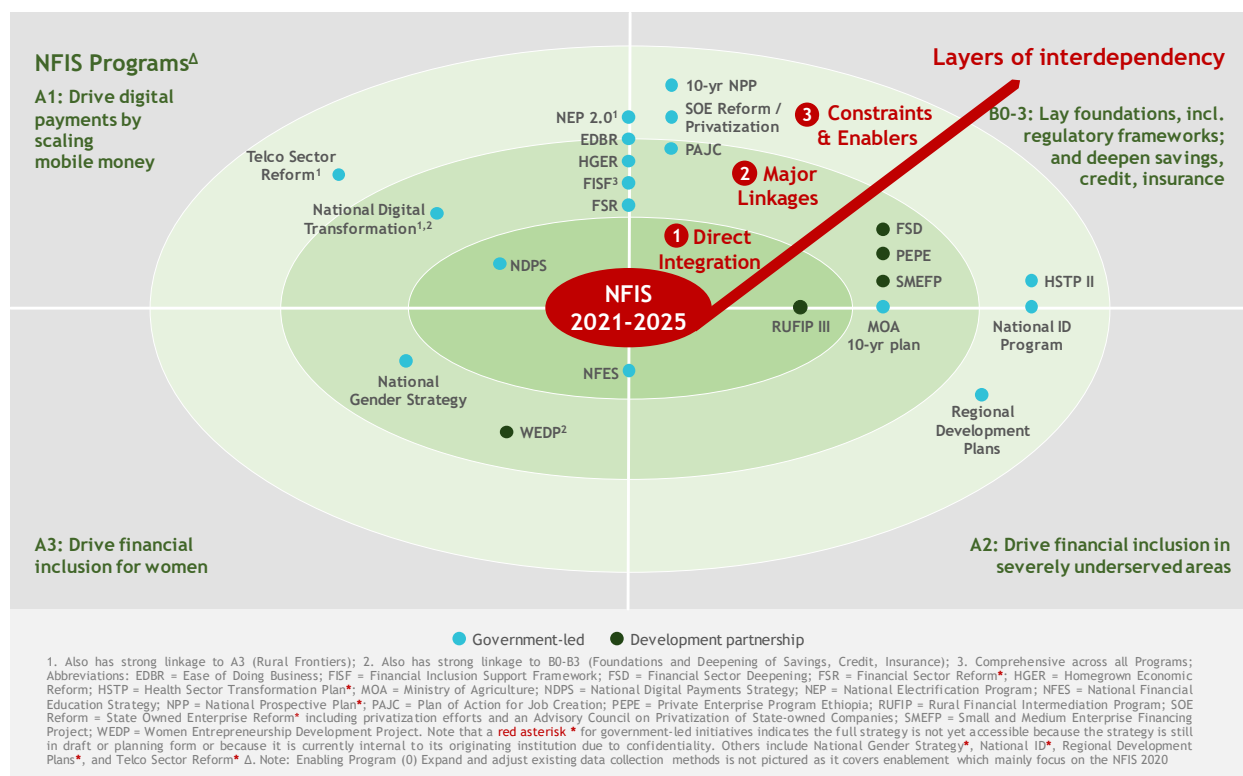


Figure 24: Mapping of existing initiatives related to financial inclusion versus NFIS Programs A1-A3, B0-B3

1. Also has strong linkage to A3 (Rural Frontiers); 2. Also has strong linkage to B0-B3 (Foundations and Deepening of Savings, Credit, Insurance); 3. Comprehensive across all Programs; Abbreviations: EDBR = Ease of Doing Business; FISF = Financial Inclusion Support Framework; FSD = Financial Sector Deepening; FSR = Financial Sector Reform*; HGER = Homegrown Economic Reform; HSTP = Health Sector Transformation Plan*; MOA = Ministry of Agriculture; NDPS = National Digital Payments Strategy; NEP = National Electrification Program; NFES = National Financial Education Strategy; NPP = National Perspective Plan*; PAJC = Plan of Action for Job Creation; PEPE = Private Enterprise Program Ethiopia; RUFIP = Rural Financial Intermediation Program; SOE Reform = State Owned Enterprise Reform* including privatization efforts and an Advisory Council on Privatization of State-owned Companies; SMEFP = Small and Medium Enterprise Financing Project; WEDP = Women Entrepreneurship Development Project. Note that a red asterisk * for government-led initiatives indicates the full strategy is not yet accessible because the strategy is still in draft or planning form or because it is currently internal to its originating institution due to confidentiality. Others include National Gender Strategy*, National ID*, Regional Development Plans*, and Telco Sector Reform* Δ. Note: Enabling Program (0) Expand and adjust existing data collection methods is not pictured as it covers enablement which mainly focus on the NFIS 2020

Interdependencies with other initiatives have been mapped onto three distinct layers. Summary descriptions are provided in that section while the detailed list of strategies is provided below.

Layer 1 – Direct Integration

Core financial inclusion initiatives where the majority of the planned actions aim at increasing or will have direct impact on financial inclusion. These initiatives are recognized as major elements of the national financial inclusion efforts in their own rights. Their content is referenced in this Strategy, but not re-stated in detail unless necessary to illustrate the background for actions defined in this Strategy. Close implementation will be ensured, and the FIS will obtain progress updates at regular intervals.

Initiatives included:

- 1. National Digital Payments Strategy (NDPS)** – Strategy to accelerate the digitization of payments in Ethiopia. This is expected to be a transformational driver for financial inclusion as it aims to rapidly proliferate mobile money usage among the low-income and rural populations. NFIS Program A1: Drive digital payments by scaling mobile money builds on the Action plans defined in the NDPS and complements them with measures to directly leverage these plans for financial

inclusion, where the NDPS has laid regulatory and infrastructural groundwork for these approaches. Therefore, the success of NDPS actions will significantly influence the rate of progress of Program A1.

2. **National Financial Education Strategy (NFES)** – Strategy to consolidate and expand national initiatives for financial awareness and capability-building among the population, especially rural communities, low-income people, women and youth. This was a “Strategic Pillar” of the NFIS 2016 and will be a vital success factor for the refreshed NFIS. The NFIS complements the NFES by providing specific and targeted education or outreach activities, usually linked to a particular goal (for example account enrollment and product onboarding) within many Actions across Programs. The success of such activities in the NFIS will rely upon the methods, resources, and governance structures created in the NFES. Conversely, the impact of the broad national awareness, education, and capability-building programs included in the NFES will be expanded through the NFIS by pointed projects which deepen financial education with high priority segments or issues. Special consideration is taken for Program A2: Drive financial inclusion in severely underserved areas and Program A3: Drive financial inclusion for women
3. **Rural Financial Intermediation Program (RUFIP) III** – A ~\$300M program launched by the Government of Ethiopia and International Fund for Agricultural Development of the United Nations (IFAD), to be implemented through the Development Bank of Ethiopia (DBE). It is focused on increasing the capacity and functionality of rural financial institutions (MFIs and SACCOs), boosting levels of both rural savings mobilization and credit flow to rural populations, and accelerating the maturation of agricultural insurance – all of which are core drivers of financial inclusion. RUFIP III is the third phase of nearly twenty years of partnership which has been instrumental in building the MFI and RuSACCO system. NFIS will not duplicate the actions included in RUFIP III, but instead re-iterate key areas of strategic alignment and highlight how FIS and the financial inclusion governance structure can jointly work with the RUFIP apparatus to achieve shared goals; primarily in Program B2: expand access to financing, and also supported by Program A2 for FI in severely underserved areas and Programs B0 and B3 for micro-insurance. RUFIP III is mentioned numerous times in the program descriptions and will be one of the most critical areas for alignment.

Layer 2 – Major Linkages

Initiatives where the majority of the mandate is not focused on relevant financial inclusion topics, but at least one key pillar or element of the initiative is focused on financial inclusion (and would have otherwise likely been included in NFIS). Some of these actions are listed for the NBE to implement within other strategies. Therefore, the NFIS includes a limited number of targeted Actions to address specific elements in these linked initiatives – or, for pending initiatives, alignment will be conducted once the initiative is released.

Initiatives included:

4. **National Digital Transformation Strategy, “Digital Ethiopia 2025”** – A broad national effort to digitize Ethiopia across various socio-economic dimensions. This includes Actions to enhance regulations to expand digital payments and mobile money as well as provide digital finance literacy programs, which have been assigned to the NBE. These actions are addressed and linked to in Program A1
5. **Plan of Action for Job Creation (PAJC)** – Led by Job Creation Commission (JCC) with a strong focus on increasing access to credit for MSMEs, complemented in NFIS Programs B0 and B2 for credit

6. **Homegrown Economic Reform Agenda (HGER)** – Led by Prime Minister’s Office, it includes finance topics regarding agriculture, digitization, and regulations; addressed in Programs A1 and B0
7. **Ease of Doing Business Reform Agenda (EDBR)** – Led by Prime Minister’s Office and Ethiopian Investment Commission (EIC), it includes electronic payments covered in Program A1 and movable property collateral and credit information and scoring, covered in Program B0
8. **Financial Sector Reform Agenda (FSR)** – Pending NBE initiative which may have implications on financial services market and Program A1 and B0-B3. NFIS must align with FSRA moving forward
9. **Ministry of Agriculture ten-year plan** – Has a strong focus on agricultural insurance which is addressed within the NFIS Program B0 and B3 for micro-insurance as well as A3 for rural frontiers
10. **National Gender Strategy** – Pending government strategy which will have mid and long-term implications on gender equity projects. Program A2 for women’s FI should align closely with this
11. **Development of partner-supported job growth initiatives** – At least four initiatives are included here: The Small and Medium Enterprise Financing Program (SMEFP), Private Enterprise Program Ethiopia (PEPE), Financial Sector Deepening (FSD) strategy pending launch in 2021, and Women’s Entrepreneurship Development Program (WEDP). Other initiatives may fall into this category as well. These projects focus on job growth, especially in Micro, Small and Medium Enterprises (MSMEs), through various lenses including sectoral and gender-based. These are addressed through NFIS Program B0 and B2 for credit. WEDP is also strongly aligned with Program A2 for women’s FI

Layer 3 – Constraints and Enablers

These initiatives largely do not cover core financial inclusion matters as a major focus. They address issues which will have a major implication for financial inclusion and are typically much broader in scope than NFIS. These are viewed as defining boundaries for financial inclusion activities which the NFIS takes as underlying assumptions.

Initiatives included:

12. **National Electrification Program (NEP) 2.0** – Led by the Ministry of Water, Irrigation, and Electricity (MoWIE) – specifically the Directorate of Electrification (DoE) – targeting an increase from 47% national access to electricity in 2019 to 100% by 2025, with off-grid access contribution increasing from 11% to 35%. This plan also includes elements for micro-credit via Pay-As-You-Go (PAYGo) solar. The progress of NEP 2.0 will be a major determinant of access point expansion, especially Program A1, and impact micro-credit in Program B2
13. **National Digital Transformation Strategy, “Digital Ethiopia 2025”** – In addition to the digital finance issues previously mentioned in this Section, this initiative links to the **Telco Sector Reform** to enhance the telco network and **National ID Program** to establish a biometric universal ID, and also includes other projects (mobile phone affordability, universal access, cyber-security, e-Commerce, etc.). Improvements on these core infrastructure elements can be key to financial inclusion, especially digital financial services and geographic expansion across Programs but especially impacting Program A1.
14. **National ID Program** – The Ministry of Revenue is leading the development and roll out of a biometric based national identification system to be launched in major cities by Q1 2022 and to cover all rural areas by Q3 2023. This will enable unique identification of individuals and is a strategic enabler for scaling financial inclusion and deepening.

15. **Health Sector Transformation Plan (HSTP) II** – Pending national plan for reform of the healthcare sector which may include refreshed elements of healthcare financing reforms and would have potential implications on health insurance and the financial sector (in Program B0 and B3). Specific targets for this plan have not yet been released.
16. **Regional Development Plans** – Various regional development plans may put boundaries on the way that financial inclusion activities can be conducted in specific regions for Program A3. Specific targets for these plans are not yet known
17. **Prime Minister’s Office-led initiatives (HGER and EDBR)** – As previously mentioned in this Section, these initiatives include specific elements which are major linkages for NFIS, but other elements act as external determinants. EDBR includes programs for resolving insolvency (Federal Attorney General, Federal High Court), enforcing contracts (Federal First Instance, High and Supreme Courts), National ID, and electronic taxes (Ministry of Revenue); HGER includes reforms around capital markets and foreign exchange. All changes will have implications for financial sector functioning and financial services provision Programs A1, B0-B3
18. **Ten-year National Perspective Plan** – Far-reaching plan by the Planning and Development Commission for 2020-2030 that will link strongly to the Sustainable Development Goals (SDGs) and includes elements of agricultural transformation, industrialization, housing, etc. This follows the GTP II (2015/16-2019/20) and will broadly affect Program B0-B3

Appendix 4: Coordination with other governance structures

Appendix 3 of this Strategy details the interdependency landscape this Strategy has with other strategies in Ethiopia, mapping varying levels of interdependency. The Program and Action-level alignments are detailed across this document. Below, the implementation and governance alignments are elaborated.

Governance structure alignment can be categorized into two main groups: strategies hosted within the NBE and strategies hosted outside the NBE. Based on this distinction, collaboration details will vary.

Governance structures within NBE

The National Bank of Ethiopia houses two other strategies that have close, action-level and governance structure ties with this Strategy: The National Digital Payment Strategy and the National Financial Education Strategy. Governance-level alignments are important to ensure efficient implementation of Actions across the strategies. These alignments are detailed here:

1. Coordination with the National Digital Payments Strategy (NDPS)

The NDPS has a governance structure to oversee its implementation, with membership from various stakeholders. The structure has a digital payments Steering Committee and a project management unit (both hosted at the NBE), along with 14 working groups to coordinate implementation across institutions. Policy level guidance is secured through a reporting line from the Steering Committee to the National Council for Financial Inclusion (NCFI)¹³¹.

The coordination of the NDPS governance structure with this Strategy's governance structure is secured at three levels:

- Firstly, the NCFI oversees both strategies. This provides a unique opportunity to ensure policy-level alignment, strengthen cross-institutional coordination and avoid duplication of effort. The Council reviews progress of both strategies when it convenes every six months.
- Secondly, the FIS Head sits on the Digital Payment Steering Committee. With this role, the Head will be able to ensure constant coordination and alignment within the NBE.
- Thirdly, the financial inclusion secretariat and digital payments project management unit are both hosted at the NBE, and coordinate on a regular basis to ensure implementation-level alignment

2. Coordination with the National Financial Education Strategy (NFES)

By design, the NFES governance structure strongly leveraged the NFIS 2016 governance structure. It maintained policy-level guidance through the NCFI and cross-institutional alignment and advisory through the Financial Inclusion Steering Committee. It also established a dedicated directorate at the NBE to manage the implementation of the strategy – the Consumer Protection and Financial Education Directorate.¹³² This close knit structure allows for coordinated implementation of the NFES and NFIS actions. Under the revised NFIS governance structure, the NFES will continue to be governed by the NFIS Council and Steering Committee. The NFES provides a detailed elaboration of the alignment and coordination with financial inclusion governance structure.

¹³¹ National Digital Payments Strategy, NBE, 2020

¹³² National Financial Education Strategy, NBE, 2020

Cross-cutting for NDPS and NFES: Finally, the project management unit heads for all three strategies (NFIS, NDPS and NFES) will have alignment meetings every month to discuss progress identify areas of collaboration and proactively address areas of duplication. In addition, all three strategies report progress to the NCFI, together, providing senior decision makers a centralized view on progress, and areas for decision. However, the reporting is conducted separately (separate documents) to ensure that a potential variation in pace of strategies does not impact the others and progress continues independently.

Coordination outside the NBE

The coordination of the NFIS governance structure with strategies hosted outside the NBE will vary depending on the strength of alignment the Strategy has with the NFIS. For all external strategies, alignment is secured at the Council level. The Ministry of Finance and other members of the NCFI are represented in the governance structures of other strategies, enabling clear coordination and alignment. The FIS is responsible to proactively set alignment with other strategies as part of all Council meeting agendas.

In addition to the alignment at the Council level, Strategies that have strong alignments with the NFIS, (as defined in Appendix 3 above) leverage additional coordination mechanisms. Coordination with RUFIP, the main Strategy with strong alignment with the NFIS outside the NBE, is secured at two additional levels.

- I. RUFIP is governed by a project Steering Committee that provides policy and strategic guidance and oversight to the Program¹³³. The Steering Committee is chaired by the MOF, and has the NBE, FCA and DBE as members. Accordingly, MOF plays the active role of coordinating guidance across RUFIP and the NFIS, while other members of the RUFIP Project Steering Committee (represented in the NFIS governance structure) will ensure alignment at a Program level.
- II. The project management office for RUFIP, hosted at the DBE, is also directly engaged in the governance structure of the NFIS. The head of the RUFIP PMO is part of the Program implementation group for Program B2 (Expand access to financing). This provides for a direct integration at implementation level.

¹³³ RUFIP Phase III, Design Report, 2019

Appendix 5: Governance Structure, and Institutional Roles and Responsibilities

Governance Structure Roles and Responsibilities

The composition, roles and responsibilities, and engagement of each unit in the governance structure is detailed in the table below:

Composition	Roles and responsibilities	Engagement
National Council for Financial Inclusion (NCFI)		
Chair: Minister, MOF; Vice-Chair- Governor, NBE Ministers: Financial Advisor to PM; MOA, MInT, PSI; PDC; NBEV/G, Financial Institutions Supervision); Secretary: FIS Director	<ul style="list-style-type: none"> • Secures high-level political support for implementation • Provide strategic guidance on key integration questions • Ensure representation and coordination with key national reforms • Secures coordination with GoE regional structures • Reviews and approves recommendations that require national policy changes • Reviews and approves major changes to implementation plan¹³⁴ 	<ul style="list-style-type: none"> • Receives update every 3 months on project implementation (prepared by FIS) • Meets every 6 months (with support of FIS)
Financial Inclusion Steering Committee (FISC):		
Chair: NBE V/G, Financial Institutions Supervision Members (Directors): Program leads and deputy leads MOF, MOA, AEMFI, CSA, MOWCY, Ethio-Telecom, FCA, DBE); and MOE ¹³⁵ Plus, FIS Head (FIS also in lead for calling & organizing meetings)	<ul style="list-style-type: none"> • Oversees implementations • Sets direction and validates approach to the program implementation plans • Secures coordination across NFIS programs • Reviews and approves recommendations¹³⁶ • Resolves challenges faced for implementation, and escalates to council as necessary • Proposes changes to implementation plan and KPIs to the Council • Provide policy advise to NCFI, RCFI & FIS 	<ul style="list-style-type: none"> • Receives monthly update on project implementation (prepared by FIS) • Meets quarterly (facilitated by FIS)
Host Institution		
The National Bank of Ethiopia (NBE)	Develops the NFIS, in collaboration with stakeholders across the ecosystem	NA

¹³⁴ Impact on overall Strategy objectives and/or implementation calendar;

¹³⁵ To ensure effective operational management for the NFES (MOE is not a lead or deputy lead for any of the NFIS programs)

¹³⁶ Excluding recommendations that require national policy changes

	<ul style="list-style-type: none"> Provides resources to develop the NFIS Engages stakeholders to design initiatives to drive financial inclusion Works with decisions makes to socialize and approve the NFIS for implementation <p>Houses/hosts the financial inclusion secretariat</p> <ul style="list-style-type: none"> Provides resources required for the FIS, such as experts, office space, operational budget, etc. Oversees operational efficiency of the FIS, and receives report on resource utilization 	
Financial Inclusion Secretariat (FIS)		
<p>The FIS has 8 lead staff members</p> <p>1 FIS Head (with rank of Director) – leads the FIS and ensures its coordination roles are achieved.</p> <p>1 Data Expert – is a senior level expert that tracks progress of programs and actions across the strategy</p> <p>6 Program Coordinators – responsible for the active coordination of institutions towards the achievement of goals for the priority programs</p>	<ul style="list-style-type: none"> Administrates overall implementation Supervises milestones and deliverables on overall implementation level Facilitates meetings across all governance levels Collects, analyses and interprets data and information at action level to inform decisions across all governance levels Monitors risks and escalates as necessary 	<ul style="list-style-type: none"> Prepares detail updates monthly with inputs from action teams Facilitates Steering Committee, Council and Implementation group meetings Coordinators meet monthly (and more regularly) with respective implementation groups
Implementation Working Groups		
<p>Relevant and expert level senior staff(s) will be assigned to the Group by all lead institutions</p>	<ul style="list-style-type: none"> Drive content for actions (data collection, analysis, etc.) Develop deliverables for actions and align for program level deliverable Ensure deliverables for actions and program are on track Prepare updates to be sent to FIS Escalate critical decisions to steering committee (supported by FIS) Create a link with the member of the Steering committee assigned from the institution 	<ul style="list-style-type: none"> Prepares summary fortnight report and detailed monthly report to send to FIS Group meets monthly; Expert level representatives meet more frequently, as needed throughout implementation
Regional Task Forces (RTF):		
<ul style="list-style-type: none"> Regional Task Forces will be set up in each regions: At least 4 experts with key capabilities:- <ul style="list-style-type: none"> Financial sector, financial inclusion or similar experiences, 	<p>Conduct implementation of the NFIS-II programs conferred to the region and in addition:</p> <ul style="list-style-type: none"> Conduct detailed analysis to design framework for their programs Conducting comprehensive 	<ul style="list-style-type: none"> Prepares summary fortnight report and detailed monthly report to send to FIS Group meets monthly Experts are full time allocated to the work (<i>details on where they will be based, how they are</i>

<ul style="list-style-type: none"> • Strong analytical and problem-solving skills • Experience with conducting large transformational programs • Effective coordination and stakeholder management 	<ul style="list-style-type: none"> • research, • defining strategic frameworks, advocacy and communications, • heavy coordination, monitoring and evaluation of the NFIS-II conferred to the region, • leading implementation of new initiatives to be defined by strategic frameworks 	<i>funded, etc are elaborated as output of actions¹³⁷ in Q2 2021)</i>
Regional Council		
<p>Program A2 (FI for underserved areas) to define composition. Composition and set up will be strongly linked to initiatives from the Program to ensure effectiveness of the council.</p>	<ul style="list-style-type: none"> • Facilitate regional implementation and provide guidance for effective roll out of regional initiatives • Appoint Regional Financial inclusion task forces • May appoint consultant to support the task forces and speed up implementation process • Works as per the TOR 	<ul style="list-style-type: none"> • Receives update every 3 months on project implementation (prepared by FIS) • Meets every 6 months (with the NCFI)

Institutional Roles and Responsibilities

The respective roles of institutions participating within the governance structure are detailed as follows:

Role	Position/Institution	Responsibilities
National Council for Financial Inclusion		
Chairs Vice Chair	Minister, Ministry of Finance Governor, NBE	<ul style="list-style-type: none"> • Convene meetings and lead through agenda • Represent the Government of Ethiopia in matters relating to financial inclusion • Have equal voting right in decision making process for policy matters relating to financial inclusion • The Vice-chair can convene meeting in the absence of the other
Members (Ministers and Institution leads)	Ministers: MOA, MInT, PDC; PSI; NBE V/G, Financial Institutions Supervision; Financial Advisor to PM	<ul style="list-style-type: none"> • Vote on decision making for the NFIS • Provide institutional perspective in policy matters relating to financial inclusion • Provide input and guidance on the implementation of the NFIS and resolution of bottlenecks

¹³⁷ See Actions A2-3 and A3-3

Role	Position/Institution	Responsibilities
Secretary	FIS Director	<ul style="list-style-type: none"> • Set meeting agenda in consultation with the Chair or Vice Chair, and ensure members receive meeting invites/reminders • Ensure all relevant documents are shared in due time and ready for meeting • Record meeting minutes and prepare resolution documents for presentation • Report NFIS progress to the Council • Communicate NCFI decisions to the Steering Committee and the FIS
Host Institution		
NBE	NBE Executive Management	<p>Develop/refresh the NFIS</p> <ul style="list-style-type: none"> • Provide resources for the refreshment of the NFIS, including experts to run necessary assessment, senior management guidance and financial resource, amongst others • Liaises with stakeholders to develop the NFIS • Engages stakeholders to design initiatives to drive financial inclusion • Works with decisions makers to socialize and approve the NFIS for implementation <p>Support establishment and operationalization of the FIS</p> <ul style="list-style-type: none"> • Provides resources required for the FIS, such as experts, office space, operational budget, etc. • Oversees operational efficiency of the FIS, and receives report on resource utilization <p>Ongoing implementation support for NFIS</p> <ul style="list-style-type: none"> • Provide senior expertise and oversight on NFIS implementation where relevant
Financial Inclusion Secretariat (FIS)		
FIS Head	Director	<ul style="list-style-type: none"> • Lead NFIS project management operations • Serve as secretary to the NCFI and NFISC Committee • Provide guidance for project implementation to all coordinators and experts in the FIS team • Lead engagement with relevant stakeholders on matter relating to financial inclusion • Coordinate FIS elements to provide administrative support to the

Role	Position/Institution	Responsibilities
		governance structure, and track implementation progress
M&E expert	Principal Office	<ul style="list-style-type: none"> • Develop and maintain a database on financial inclusion statistics, including NFIS targets • Consolidate and analyze the implementation progress of NFIS-II actions • Track NFIS progress through collection and analysis of demand and supply-side data • Preparation of internal progress reports for the NFIS SteerCo and NCFI • Preparation of annual public progress reports • Manage websites of FIS

Role	Position/Institution	Responsibilities
Program coordinators	Principal Office	<ul style="list-style-type: none"> • Responsible for the program and targets assigned to him/her • Lead coordination and administrative support for implementation groups and task forces • Accountable for coordination of efforts to enable implementation of respective programs • Communication support across stakeholders at each program level • Actively identify bottlenecks and escalate to relevant bodies for effective implementation • Technical support to ensure consistency and quality of NFIS action implementation plans • Prepares reports in collaboration with the M&E Expert •
NFIS Steering Committee		
Chair	NBE V/G, Financial Institutions Supervision	<ul style="list-style-type: none"> • Convene all SteerCo meetings and lead steerco through agenda • Escalates issues to the council, where relevant • Oversees effective coordination, synergy and resource allocation across programs • In conjunction with members, make operational decisions for implementation of actions across the NFIS programs
Members (Directors)	Respective program leads, and deputy leads, MOF, MOA, AEMFI, CSA, MOWCY, Ethio-Telecom, FCA, DBE); and MOE ¹	<ul style="list-style-type: none"> • Represent respective program implementation group at the steerco • Communicate progress towards, and challenges regarding the goals of respective programs and overall NFIS • Liaise necessary information from and to respective program implementation groups • Vote on resource allocation decisions by the steering committee

Role	Position/Institution	Responsibilities
Secretary	FIS Head	<ul style="list-style-type: none"> • Set meeting agenda, and ensure members receive meeting invites/reminders • Ensure all relevant documents are shared in due time and ready for meeting • Record meeting minutes and prepare resolution documents for presentation • Report NFIS progress to the SteerCo • Communicate SteerCo decisions to the FIS
Implementation Groups		
Program lead	Assigned per program	<ul style="list-style-type: none"> • Accountable for delivery of all program level outputs and targets • Responsible to coordinate action leads for the effective implementation of the actions within the program • Coordinate with relevant stakeholders, to avail resources for the implementation of actions within respective program • Represent the implementation group at the steering committee, including escalating issues when necessary
Deputy-program lead	Assigned per program	<ul style="list-style-type: none"> • Supports delivery of all action level outputs and targets per program; Key enabler for program success • Supports program lead in coordinating executing institutions for the effective delivery of activities within the program
Members	Program level implementing institutions	<ul style="list-style-type: none"> • Update the implementing group on progress of respective actions, and flag any challenges faced • Responsible to coordinate relevant institutions and resources for the delivery of respective actions • Develop progress report on status of actions assigned to institutions
Regional Task Forces		
Regional FI Program lead implementers	Permanente employees appointed by the Region	<ul style="list-style-type: none"> • Accountable for delivery of all program level outputs and targets • Responsible to coordinate action leads for the effective implementation of the actions within the program • Coordinate with relevant stakeholders, to avail resources for the implementation of actions within respective program • Escalating issues when necessary
Deputy-program lead (Similar to implementation groups)	Assigned per program	<ul style="list-style-type: none"> • Supports delivery of all action level outputs and targets per program; Key enabler for program success

Role	Position/Institution	Responsibilities
		<ul style="list-style-type: none"> Supports program lead in coordinating executing institutions for the effective delivery of activities within the program
Members (Similar to implementation groups)	Program level implementing institutions	<ul style="list-style-type: none"> Update the implementing group on progress of respective actions, and flag any challenges faced Responsible to coordinate relevant institutions and resources for the delivery of respective actions Develop progress report on status of actions assigned to institutions Delivers periodic reports to the FIS
Dedicated experts	Dedicated program taskforce team	<ul style="list-style-type: none"> Conduct dedicated research, analysis, and detailed implementation support for respective program Design required initiatives, and execute actions assigned per program
Regional Council		
<ul style="list-style-type: none"> Representative from the President Office Regional Finance Bureau 	<ul style="list-style-type: none"> Chairperson Vice Chairperson 	<ul style="list-style-type: none"> Convene meetings and lead through agenda Represent the regional Government in matters relating to financial inclusion Have equal voting right in decision making process for policy matters relating to financial inclusion <ul style="list-style-type: none"> The Vice-chair can convene meeting in the absence of the other
<ul style="list-style-type: none"> Members 	<ul style="list-style-type: none"> Head, Regional Agricultural Bureau; Head, Regional Women, Children and Youth Bureau; CBE District/Brach Manager; EIC, District/Branch manager Head of Regional MFIs Head of Regional Cooperatives Bureau; 	<ul style="list-style-type: none"> Vote on decision making for the NFIS Provide institutional perspective in policy matters relating to financial inclusion Provide input and guidance on the implementation of the NFIS and resolution of bottlenecks Leads the regional financial inclusion task force Approve reports of the regional financial inclusion task force.

Glossary

Agent	Entity acting on behalf of a financial institution to provide financial services
Automated Clearing House	Electronic clearing and settlement system used for financial transaction
B2P/P2B	Payments between a business entity and a person
Banks	Entity licensed to receive deposits and make loans, and provide financial services such as wealth management, currency exchange, and safe deposit boxes
“Beyond payments”	A phrase used in this document (particularly Program B0) to describe any financial services which are not only payments and transactions-related. Primarily, this refers to yield-bearing savings, productive credit, and micro-insurance; these financial services “beyond payments” are the key subject of financial deepening in the NFIS.
Cash In Cash Out (CICO)	Core activity of mobile money agents or other digital financial services agents, in which a customer can provide cash to the agent who then converts it into electronic balance; or vice versa, where a customer can withdraw cash from their electronic balance via the agent
Consumer Protection and Financial Education Directorate (CPFED)	A pending Directorate within the NBE, to be established. This Directorate will be responsible for Financial Consumer Protection Regulation and Supervision, Complaint Handling, and Financial Education, among other duties. The CPFED will be responsible for ensuring the implementation of the National Financial Education Strategy (NFES) along with the Consumer Protection and Financial Education Working Group
Credit information	All information about a borrower and the borrower’s credit account(s) as specified in the Data Standardization Manual and/or Data Submission Specification
Credit Guarantee	A mechanism by which an entity promises to pay the obligations (in part or in full) of loans on behalf of a person or financial institution, in the event that the person or institution cannot independently pay back the obligations. The entity can be a government, private sector, or NGO entity or combinations thereof
Credit Reference Bureau (CRB)	Work unit established under the National Bank to carry out duties and responsibilities stipulated in “Establishment and Operation of Credit Reference Bureau Directives No. CRB/02/2019”; e.g. to manage operations of the Credit Reference System
Credit Reference System (CRS)	Computerized credit reference database system set up by the National Bank to facilitate the function of the Credit Reference Bureau in which provision, updating, and correction of credit information is rendered by financial institutions and enquiries of credit information on borrowers and other related activities of financial institutions are carried out electronically through a dedicated computer system or network

Deposit collector	An employee or contracted agent of a financial service provider who is authorized to travel into a community to collect cash or electronic deposits from individuals, to be placed into yield-bearing savings accounts or stores of value with the financial service provider
Digital Financial Services (DFS)	Financial service including payments, remittances, and insurance accessed and delivered through digital channels (as per “Banking (Amendment) Proclamation No. 1159/2019”)
Digital Payment	The transfers of value which are initiated and/or received using digital or electronic devices and channels to transmit the instructions. This involves the use of digital payments instruments (i.e., payment cards, electronic funds transfers), across digital payments channels (i.e., ATM, POS, mobile phone, mobile / PC applications) supported by a digital means of transmitting information (i.e., internet (TC-PIP), SMS, USSD)
Digital Payments Channels	Device that uses the payment instrument and information from the recipient to complete a transaction (i.e., ATM, Point of Sale device (POS), PC, mobile phone)
Digital Payments Ecosystem	Ecosystem consisting of users (consumers, businesses, government agencies, and non-profit groups) who have needs for digital and interoperable financial products and services; the providers (banks, other licensed financial institutions, and non-banks) who supply those products and services through digital means; the financial, technical, and other infrastructures that make them possible; and the governmental policies, laws, and regulations which enable them to be delivered in an accessible, affordable, and safe manner
Digital Payment Instruments	Digital instrument enabling the holder/user to transfer funds. (i.e., payment cards, electronic funds transfer (credit and direct debit), real-time push payments)
e-Banking (electronic banking)	Banking functions accessed and carried out through the internet
<i>Edir</i>	Informal community-based financial group in which members contribute a small amount of funds on a regular basis to a collective fund. This fund is held over time and in event of an emergency or significant life event of any member (death of relative, wedding, etc.) the group may determine to provide a financial disbursement and social support to that member
<i>Equb</i>	Informal community-based financial group (e.g. a Rotating Savings and Credit Association or RoSCA) in which members contribute a small amount of funds on a regular basis; funds are compiled and the full sum is given to a single member who is the designated recipient for the cycle; who then rotates to the next member in the order
Financial Deepening	Increased provision of financial services with a wider choice of services geared to all levels of society (per UNESCWA)
Financial Inclusion	Access of individuals and businesses to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit, and

	insurance – delivered in a responsible and sustainable way
Financial Inclusion Framework	A document which lays out strategies or actions to be taken to address a specific sub-topic or segment within financial inclusion, ideally based on rigorous research
Financial Inclusion Fund	A pool of funds created by government, private sector, and/or NGO actors to be used expressly for encouraging financial inclusion innovation and expansion, potentially for specific sub-topics or segments
Financial Inclusion Task Force	A special governance structure created to address specific sub-topics or segments within financial inclusion, typically having dedicated human resources and funding, an elevated mandate, and potentially unique Actions or goals specific to the Task Force
Financial Institutions (FI)/Financial Services Providers (FSP)	Bank, micro-finance institution, and other payment instrument issuers as licensed under the relevant Payment Instrument Issuers Directive of the NBE
Findex	A comprehensive globally-comparable data set on how adults save, borrow, make payments, and manage risk; viewed as a critical global standard for financial inclusion data.
FinTech	Entity that uses technology-enabled innovation in financial services and is licensed by a central bank to provide payment services
Formal account ownership / formal account owner	Defined by the World Bank Global Findex: <i>“Formal account ownership refers to having an account at a bank or another type of financial institution, or use of mobile money (must have used the formal account in the past 12 months to be regarded as a formal account owner).”</i>
Gender-intentional	A property of interventions (new services, programs, etc. for financial inclusion) which are <i>“designed to reduce gender gaps/barriers in access to resources or increase the evidence base around gender gaps/barriers”</i> (as per Bill and Melinda Gates Foundation, 2020)
Gender mainstreaming	A strategy for promoting gender equality with a broad scope, defined as <i>“The process of assessing the implications for women and men of any planned action, including legislation, policies or programs, in all areas and at all levels. It is a strategy for including concerns and experiences of both women and men as an integral dimension of the design, implementation, monitoring and evaluation of policies and programs in all political, economic and societal spheres so that women and men benefit equally, and inequality is not perpetrated.”</i> (as per UN Women, 2014)
G2B/B2G	Payments between a government and business entity
G2P/P2G	Payments between a government and a person
International Card Schemes	International payment schemes and processor for international card transactions, including Visa, MasterCard, and American Express

(ICS)	
Index Insurance	A form of insurance typically used to ensure against agricultural perils. This insurance involves creating a quantitative “index” for a geographic area which describes typical conditions (in terms of rainfall, temperatures, etc.). In the event that the actual conditions are worse than the pre-set index, pay-outs are organized to the beneficiaries. This does not require an inspection of individual damages as with traditional indemnity insurance
Interoperability	Enabling payment instruments belonging to a particular scheme or business model to be used or interoperated between other schemes or business models
Islamic Financial Services	Financial services leveraged by members of the Muslim community. These services follow Sharia law and prohibited some financial aspects, importantly including payment and charging of interest. Instead financial services (savings, credit, and insurance) operate on different models such as profit-and-loss sharing or cooperative models. See definitions for <i>Sharia-compliant</i> and <i>Takaful</i> for more information
Know Your Customer (KYC)	Due diligence that financial institutions and other regulated companies must perform in order to identify their clients and ascertain relevant information pertinent to conducting financial business with them
Living Standards Measurement Study (LSMS)	The World Bank's flagship household survey program focused on strengthening household survey systems in client countries and on improving the quality of micro-data to better inform development policies. This is a household “demand-side” survey conducted biennially in partnership with Ethiopia's Central Statistical Agency (CSA). Although the LSMS survey covers a wide range of topics, it includes a financial inclusion module which captures extensive data on financial inclusion metrics
Micro-Finance Institutions (MFI)	Entity that is licensed to undertake micro-financing business
Missing Middle	A phenomenon in which Small and Middle-sized enterprises face challenges in receiving credit from financial institutions (partly due to a lack of institutions and mandates matched with these customer segments), while Large enterprises and Micro enterprises are relatively better-served by commercial banks and MFIs, respectively
Mobile Banking	Service provided by financial services providers giving mobile access to an account held at their institution, including making payments from the account
Mobile Money	Digital financial services provided through the use of a SIM card-based mobile phone system
Mobile Money Operator (MMO)	Licensed mobile money service provider that develops and deploys financial services through mobile phones and mobile telephone networks
Mobile Network Operator (MNO)	Telecommunications service provider organization that provides wireless voice and data communication for its subscribed mobile users
Mobile Wallet	Account that is linked to a mobile phone (often by mobile number) in which

	electronic value is stored
Movable asset-based lending (MABL)	Lending based on product/service designs in which movable properties (as defined below, in contrast to traditional assets such as land or buildings) is used as a form of collateral. MABL may require specific types of lending product designs and stipulations which are unique from traditional credit products
Movable Collateral Registry (MCR)	An electronic system for receiving, storing, and making accessible to the public information about security rights and non-consensual rights in movable property
Movable property (or movable assets)	Any incorporeal or corporeal asset as defined in Article 2(27) of the Proclamation (Movable Property Security Right Proclamation No. 1147/2019) irrespective of the manner in which it is used
“Micro-“ (e.g. for financial services)	Financial services provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services. Typically involving small amounts of funds. Can be applied to any financial service e.g. micro-savings/micro-pension, micro-credit, micro-insurance
Micro-insurance	Defined by NBE as “Any form of protection against risks that is designed for and accessed by low income people, provided by different categories of carriers but operating on business principles of insurance and funded by premium”, per “Licensing, License Renewal and Product Approval for Microinsurance Providers Directive No. SMIB/3/2020”. Can include both short-term and long-term insurance types for a variety of use cases (agriculture e.g. crop or livestock; MSME business insurances; personal life or health insurance; etc.)
Micro, Small, and Medium Enterprises (MSMEs)	Segments of businesses in Ethiopia classified by the economic sector, number of employees, and total assets, in accordance with the Proposed National Definition of MSMEs as per the National Bank of Ethiopia, 2020. Especially relevant for financial inclusion due to constrained access to credit versus enterprises classified as “Large”
Small and Medium Enterprises (SMEs)	Similar to the definition of MSMEs (based on the Proposed National Definition), but excluding the smallest class of micro-enterprises (e.g. “Micro-enterprises”)
No-frills	Referring to a style of accounts (typically for basic transaction accounts or Interest free accounts) which have minimal requirements for opening and usage. For example, a no-frills account can be opened with zero balance and minimum KYC requirements and could also have minimum or no fees/charges
P2P	Payments between Peers (People)
Payment Instrument	Instrument, whether tangible or intangible, that enables a person to make payments or transfer money (including electronic money)
Payment Instrument Issuer (also Electronic Money Issuer)	Entity authorized or licensed by the National Bank of Ethiopia to issue payment instruments against receipt of funds in Ethiopian Birr

Payment Service Provider	Entity that provides transaction processing, potentially including clearing and settlement, responsible for payment acquisition, routing transaction, and transaction management
Point of Sale (POS)	Hardware system for processing card payments at retail locations; software to read magnetic strips of credit and debit cards is imbedded in the hardware
Productive Credit	Borrowing which supports the generation of income (versus “consumptive” borrowing such as regular household needs/wants). Typically applied to use cases which enable business or agricultural activity
Regulatory Technology (RegTech)	The management of regulatory monitoring, reporting, and compliance within the financial industry through technology
Regulator	Federal or state agency charged with supervision of a sector that creates requirements, restrictions, and guidelines to make the market transparent
Rural Savings and Credit Co-operative (RuSACCO)	A SACCO located in a rural kebele. See definition of SACCO.
Savings and Credit Co-operative (SACCO)	A semi-formal community-based financial organization regulated by the Federal Cooperative Agency. Members typically provide compulsory deposits which bear interest and are allowed to apply for small loans from the SACCO. Over 20,000 SACCOs are currently estimated to exist, nearly one per kebele.
Secured transaction	An arrangement between the grantor (a person that creates a security right to secure either its own obligation or that of another person) and the secured creditor (a person that has a security right or non-consensual creditor) which creates a security right in the grantor’s movable property
Sharia-compliant	Referring to financial services which follow the rules of Islamic finance. Most commonly this is used to refer to Sharia-compliant savings accounts, which are “interest-free” e.g. do not generate interest (which is not allowed under Islamic finance). Instead these accounts typically create yields for customers based on investment in profit-and-loss sharing schemes
Takaful	Form of insurance based on Islamic finance principles, wherein members contribute money into a pool system to guarantee each other against loss or damage
Subscriber Identity Module (SIM) registration	A process by which the owner of a mobile phone must register their SIM card (e.g. an electronic identification card within their mobile phone carrying a unique number of the user) with their telecommunications service provider and ultimately the government, typically with a form of official identification
State-Owned Enterprises	Fully or majorly (>50%) government-owned enterprises (also referred to as Public Enterprises)
Super-agent	Entity which has an overarching agreement with a financial institution to contract and manage sub-agents that provide agent services to customers

Supervisory Technology (SupTech)	The use of innovative technology by supervisory agencies to support supervision, helping supervisory agencies to digitize reporting and regulatory processes – ideally resulting in more efficient and proactive monitoring of risk and compliance at financial institutions
Tax ID Number (TIN)	A form of identification with biometrics, provided through the Ministry of Revenue (MOR). TINs allow for entry of a borrower into the Credit Reference System, which therefore allows for credit history to be tracked
Transaction account	A financial account that allows the user to access a wide range financial services (payments, savings, pensions, credit, insurance etc.) through formal means, either traditional or electronic (including mobile money). It serves a wide range of uses from store of value (e.g. basic accounts) to yield-bearing savings and other value added services.
Underserved area	A location (e.g. region, woreda, kebele) within the country which has particularly low levels of financial inclusion for various reasons, and therefore may be matched with specific and differential efforts to improve the financial inclusion situation
Unstructured Supplementary Service Data (USSD)	Global System for Mobile (GSM) communication technology that is used to send text between a mobile phone and an application program in the network; users without a smartphone or data connection can use a text message code to avail payment services
Village Savings and Loan Association (VSLA)	Defined as an informal savings group where <i>“members meet regularly (weekly, biweekly, or monthly), create a group fund (or cash deposit) by accumulating their savings from which they can borrow as needed and repay with interest. At the end of a set operating cycle (of generally about one year), the entire fund with interest earned is distributed to members according to the amount each has saved in the group. Groups typically then begin the cycle again.”</i> per definition of CARE (Cooperative for Assistance and Relief Everywhere)
Yield-bearing savings	Either interest-bearing savings accounts or Islamic / Sharia-compliant savings accounts which create gains through approaches such as profit sharing; both types accumulate value over time. Stores of value which do not bear yields (such as simple mobile wallets) are not included in this definition. Informal placement of deposits such as Equb or Edir are not included; while they may accumulate gains in some sense, they are collective and do not consistently build yields over time for specific individuals.

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