



RemitSCOPE

Africa



Ethiopia
Country diagnostic

ACKNOWLEDGEMENTS

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ACRONYMS

AML/CFT	anti-money laundering/combating the financing of terrorism
API	application programming interface
ATM	automated teller machines
BMGF	Bill & Melinda Gates Foundation
CENFRI	Centre for Financial Regulation and Inclusion
EDTF	Ethiopia Diaspora Trust Fund
ESAAMLG	East and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FDI	foreign direct investment
FIC	Financial Intelligence Centre
Global Findex	Global Financial Inclusion Database
fintech	financial technology
FSP	financial service provider
FX	foreign exchange
FY	fiscal year
GIS	geographic information system
IMF	International Monetary Fund
IMTO	international money transfer operator
IOM	International Organization for Migration
KYC	know-your-customer
MFI	microfinance institution
MMP	mobile money provider
MNO	mobile network operator
MTO	money transfer operator
NBE	National Bank of Ethiopia
NDPS	National Digital Payments Strategy
NFIS	National Financial Inclusion Strategy
NGO	non-governmental organization
ODA	overseas development assistance
POS	point of sale
PSP	payment service provider
PSS	Premier Switch Solutions
RSP	remittance service provider
RTGS	real time gross settlement
SACCO	savings and credit cooperative
SSA	sub-Saharan Africa

Executive summary

The diagnostic covers key focus areas of Ethiopia's formal remittance market. It also highlights the parallel foreign exchange market given its ever-present influence on Ethiopia's financial environment. The causes of the parallel market constitute a far broader area than that of remittances, although remittances are significantly affected by it. The parallel market is fuelled by several factors, including strict trade regulations, foreign exchange (FX) shortages, and other financial policies that fall outside the scope of this report. This diagnosis demonstrates the parallel market's impact on remittances while focusing its recommendations on areas related to the formal market. The impact of the recommendations within this diagnostic will be hindered by the presence of the parallel market, which needs continued attention from stakeholders.

Migration and remittances

- There are an estimated 871,747 Ethiopians living overseas, predominately in the United States and Saudi Arabia. However, Ethiopia is a net receiver of migrants with over 1.2 million immigrants, close to 60 per cent of whom are refugees.
- It is estimated that there are a considerable number of undocumented, informal Ethiopian migrants in South Africa and the Near East. The COVID-19 pandemic worsened their already precarious situation.
- There is considerable divergence between the remittance data released by the National Bank of Ethiopia (NBE) and the World Bank: US\$2.5 billion according to the NBE in 2020 and US\$504 million according to the World Bank's 2020 estimates.
- Despite the significant discrepancies in the NBE and World Bank Billing and Revenue Management (BRM) data regarding the volumes of remittances being sent to Ethiopia, of the PRIME focus areas, Germany and Italy are in the top 10 send countries on both lists.
- Regardless of the data source, all experts and stakeholders agree there are considerable remittances flowing through informal channels. The estimates vary between 29 per cent to 78 per cent of all remittances.
- An average of 14.5 per cent of Ethiopian households receive remittances, with some regions receiving much more. However, some regions, particularly near the border, have poor access to remittance pay-out locations.
- The COVID-19 pandemic stalled Ethiopia's robust economic growth, necessitating urgent responses from the NBE as well as by some commercial banks in the country.

Financial environment

- Ethiopia's National Payment System is gradually evolving but remains largely traditional and encumbered by several constraints, particularly the prevalence of cash.
- EthSwitch facilitates interoperability only for automated teller machines (ATMs) and EthioPay cards in the country. It does not address other areas of interoperability that would benefit the market but is slowly being addressed.
- There is an embryonic opportunity to use mobile money as a lever for remittance access and financial inclusion. However, mobile money for international remittances is only just beginning in the country and there is a strong need to develop it across all

areas, including the need for more operators, and in particular to allow mobile money players who are not partnered with a bank to terminate international remittances. Financial inclusion rates are low in Ethiopia compared to other African countries, with a notable gender gap, low financial literacy rates and high usage of informal financial services.

- The country's financial sector has been largely bank-led; the newly enacted directive on payment instrument issuers is expected to drive significant change.
- Mobile money and agent banking have experienced slow adoption; competition is limited, and mobile money offerings are mainly first generation. However, some financial technology (fintech) companies are stepping in to offer more access points.
- Microfinance institutions (MFIs) are an important part of the financial landscape with good rural reach. Although regulated by the NBE, they are required to partner with banks for international remittances, but most have not.
- Ethiopia's financial sector is rapidly expanding, with the entry of new banks, including the first Islamic bank, a diaspora bank, MFIs and fintechs.
- Penetration of formal financial access points is low and mainly concentrated in Addis Ababa and other major urban centres. Many financial access points do not provide cross-border remittance services.
- Several informal and semi-formal services exist to meet the financial needs of rural and low-income earners. With the proper support, these organizations could be leveraged to improve formal financial access in Ethiopia.
- Financial inclusion is a priority for the Ethiopian government. Its national strategy has several interventions that are currently being updated and will soon be launched.
- The newly launched National Digital Payments Strategy (NDPS) 2021–2025 aims at driving the country toward cash lite and a more financially inclusive economy.
- An estimated 65 per cent of the population – the fourth largest globally – does not have national IDs and efforts to roll out a national digital biometric enabled ID system have been slow. Tiered know-your-customer (KYC) is included in the new payment directives, which could improve the usage of formal financial services.

Regulatory environment

- Overview of the payments regulatory framework: Ethiopia has had one of the most regulated and controlled financial sectors in sub-Saharan Africa, with a complex regulatory framework.
- Cross-border remittance regulations are contained in the 2006 Provisions for International Remittance Services Directive amended in 2009. Key provisions, especially on licensing, have been replaced by new payment regulations.
- Provisions in the Mobile Money and Agent Banking Regulation, including recent amendments are conducive, clear and comparable to those in other developing countries. However, more could be done to allow mobile money players that are not partnered with a bank to terminate international remittances. Mobile money is limited in Ethiopia and needs more operators and focused development.
- Ethiopia's financial environment is undergoing many regulatory changes in a short amount of time. Some have been welcomed by stakeholders while others have caused inconveniences.
- Ethiopia's foreign exchange restrictions contribute to the use of informal remittance channels, but the government is working to curtail this.

- The anti-money laundering/combating the financing of terrorism (AML/CFT) legal framework has been weak, although there are concerted efforts to strengthen it, Ethiopia remains on the Eastern and Southern Africa Anti-Money Laundering Group's (ESAAMLG) enhanced follow-up status.

Remittance market structure

- The send market to Ethiopia is diverse and has a variety of providers, mostly traditional and online money transfer operators that must partner with commercial banks.
- Between 29 per cent to 7 per cent of inbound remittances are estimated to flow via informal channels. The parallel currency market is considered highly attractive with many operators, and even draws the participation of some formal providers.
- The average cost of sending to Ethiopia is 6.3 per cent of the send amount, which is lower than the global average of 6.5 per cent. However, the prevalence of cash and the informal sector keep costs high.
- Germany hosts a variety of Ethiopian immigrants and diaspora members, but remittance costs are high at 8.9 per cent of the send amount. There are no corridor specialists in the market.
- With a long history of Ethiopians in the country, Italy offers some of the most competitive prices in the EU; however, costs, particularly FX rates, remain high.
- Over 90 per cent of remittances are collected as cash pickups, largely due to limited innovation on the receive side and a prevalent cash culture. However, recent developments may begin to change the market.

Financial services for remittance users

- The range of remittance-linked products already in the market or in the pipeline are few and mostly sender-focused, but even these are limited or just being piloted.
- High demand for foreign currency drives diaspora focused products; however, this has resulted in limited focus on financial inclusion for remittance recipients.

Stakeholder coordination

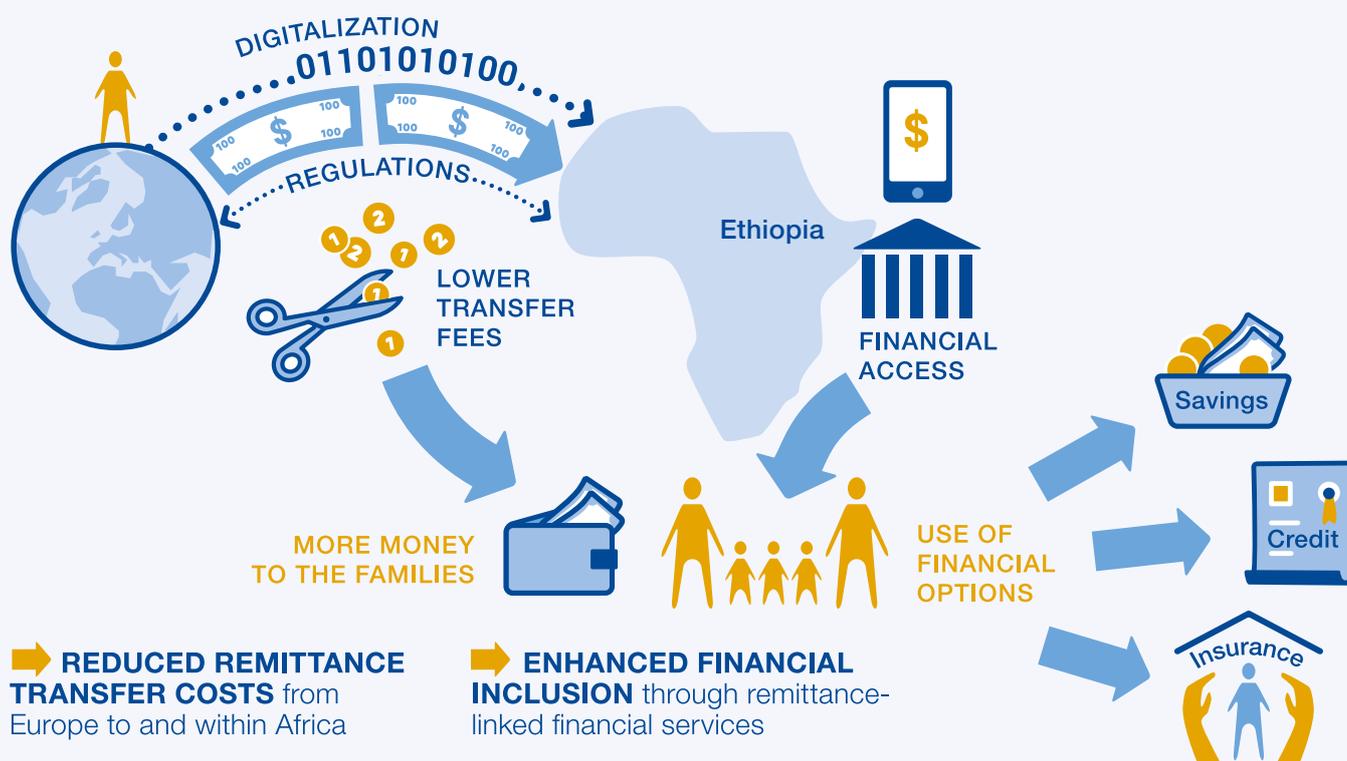
- Various multilateral players are active in the different parts of the financial environment, including those that support digital payments, mobile wallets and harmonizing remittance policies.

The PRIME Africa initiative

IFAD is implementing the **Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa) initiative**, co-financed by the European Union and aimed at maximizing the impact of remittances for millions of families in selected African countries, which contributes to fostering local economic opportunities in migrants' countries of origin (figure 1).

Figure 1. PRIME Africa activities in Ethiopia

GOALS



ACTIVITIES



● **Address the data gap**

Strategic market data allow for further market depth and width, and targeted capacity-building to key stakeholders for remittance data creation and use.



● **Increase market competition**

Expand access to remittances through close cooperation with public and private sectors, and additionally reduce significantly direct and indirect costs, and spur market competition.



● **Support an enabling environment**

Coherent national regulatory frameworks in both sending and receiving countries can foster competition in remittance corridors and enable safe, cheap and fast transfers.



● **Finance and promote business models linking remittances and financial services**

Co-finance and promote innovative, replicable and scalable business models and technologies that link remittances to financial services, toward greater financial inclusion.



● **Finance scalable innovations and related capacity**

Collaboration mechanisms in place among central banks, regulatory bodies, the private sector and diaspora communities in sending and receiving countries; and strengthened capacity to adapt and scale up best practices within an operational framework that allows cooperation among partners.

Objectives

The Ethiopia diagnostic provides an assessment of the country's remittance market. It has been developed in accordance with the PRIME Africa goals, which are to:

- A. reduce remittance transfer costs to Ethiopia in support of the United Nation's Sustainable Development Goal (SDG) 10.c and the Global Compact for Migration;
- B. reduce the use of informal channels to Ethiopia; and
- C. enhance financial inclusion through remittance-linked financial services.

The diagnostic is a working document to be updated and amended as additional information is collected and assessed. Given that Ethiopia is outside the seven PRIME Africa target countries, this document is designed to provide a market analysis in order to help the European Union (EU) decide whether to add the country to the main programme.

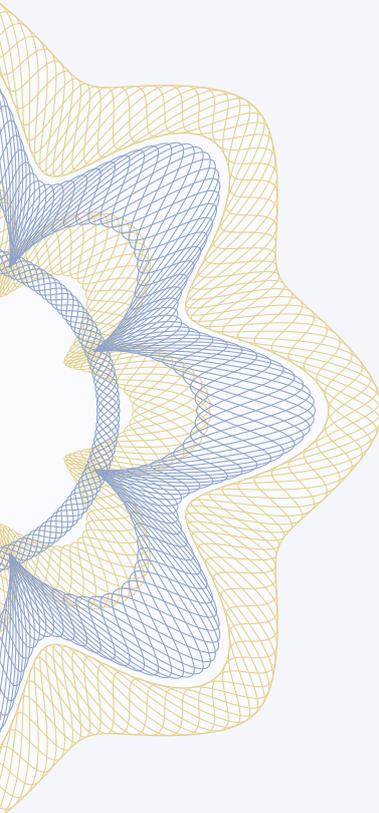
Based on the findings of this diagnostic, recommendations have been laid out at the end of the document that propose priority policy actions to achieve the PRIME Africa goals. Coordination and cohesion with public policy and other international development agencies will be key to success.

Methodology

The focus of the Ethiopia diagnostic so far is on the remittance market in Ethiopia from the supply side of the market. This is comprised of:

- A. desk-based research;
- B. interviews with stakeholders, including the NBE, payments companies, international money transfer operators (IMTOs), digital IMTOs, banks, MFIs, mobile money providers (MMPs), development agencies (for example, United Nations Capital Development Fund [UNCDF], Bill & Melinda Gates Foundation [BMGF]) and specialist consultants;
- C. mystery shopping exercises for pricing, products and services (the pricing was collected in Q1 2021);
- D. the cost of sending is based on DMA Global's mystery shopping findings. Due to differences in the methodologies of calculation with other sources or measuring at different times or locations/channels/situations (for example, temporary regional promotional actions), the cost reported for a specific three-month period might differ from the cost published by the provider of the service at other moments, locations or during campaigns in the same quarter, or using different calculation methods.

Research was carried out between April 2021 and July 2021.



PRIORITY POLICY ACTIONS

- 1.1 Update data available on both formal and informal remittances and share them in a more accessible manner.
- 1.2 Sustain gains made during the COVID-19 pandemic toward digital channels to reduce cash dependency, which is prevalent in Ethiopia.
 - 2.1 EthSwitch participation should not be compulsory as the country has other switches and EthSwitch's turnaround time is extremely slow. This would also promote innovation and competition.
 - 2.2 In driving adoption and usage, the National Financial Inclusion Strategy (NFIS) Phase II and the NDPS should ensure use cases are incorporated into their strategies, such as supporting remittance-based savings and loans that are attractive to new entrants into formal financial services.
 - 2.3 Support for national identification rollout, digital ID, electronic KYC and further access of national ID registry by bank and non-bank financial service providers (FSPs).
 - 2.4 Support payment service providers (PSPs), especially smaller ones that are closer to rural populations in capacity-building, therefore increasing access points across the country.
 - 2.5 Implement geographic information system (GIS) mapping of access points to identify gaps and use a needs-based approach to extend distribution. This can be cross-referenced with household survey (recommendation 1) to create a business case and encourage banks and other FSPs to open branches in the locations with the highest need.

3. Continue to review, update and streamline remittance and financial regulations more broadly and ensure they are fit for their purpose and shared in an accessible manner with stakeholders. Ensure more predictability to support stakeholders' investment and greater competition and innovation. Leverage recent regulatory changes to accelerate positive market changes.
 4. Leverage opportunities to drive financial inclusion and reduce costs by supporting non-bank remittance service providers (RSPs) and through targeted customer awareness.
 5. Leverage opportunities to offer services targeting remittance beneficiaries and capitalize on the work done on diaspora accounts.
 6. There is a need for stakeholder coordination across the country as several donors are involved in different sectors of the financial space that overlap each other.
-

1. Migration and remittances

Figure 2. Map of Ethiopia



This section provides an overview of emigration and immigration patterns, key corridors and socio-economic factors that drive inbound and outbound migration and remittances. It also examines divergences in remittance data, informal flows, and the impact of and response to the COVID-19 pandemic.

Remittance flows into and out of Ethiopia

There are an estimated 871,747 Ethiopians living overseas, predominately in the United States and Saudi Arabia. However, Ethiopia is a net receiver of migrants, with over 1.2 million immigrants, of whom nearly 60 per cent are refugees.

- UN DESA (2019) estimates there are 871,747 Ethiopians formally living overseas. The top destinations are The United States, Saudi Arabia, Israel, Sudan, Canada and Kenya. Globally, there is a broadly even gender split in outbound migration to the main host countries across North America, Africa and the EU, although women only officially account for 31 per cent of migrants to Saudi Arabia.
- About 18 per cent of emigrants live in other African countries while 13 per cent reside in the EU. Intra-African migration is dominated by emigration to neighbouring countries Sudan and Kenya, which together host 61 per cent of the Ethiopian diaspora residing in Africa. The next largest Ethiopian diaspora in Africa resides in Somalia (19,348); South Sudan (13,110); and Djibouti (12,650).
- Within the EU, Italy (29,662), Sweden (22,381), Germany (19,241) and the Netherlands (16,434) are the most popular destinations, with these four countries accounting for 75 per cent of total Ethiopian migrants in the block.
- In comparison, the country hosts 1,253,083 migrants – primarily from Somalia (38 per cent); South Sudan (38 per cent); and Eritrea (18 per cent). Nearly 60 per cent of the migrant population are refugees and asylum seekers (UNHCR, 2019). Ethiopia has a progressive refugee policy and hosts the second largest population of refugees in Africa (ILO, 2021).

Figure 3. Migration stock by destination, 2005–2019

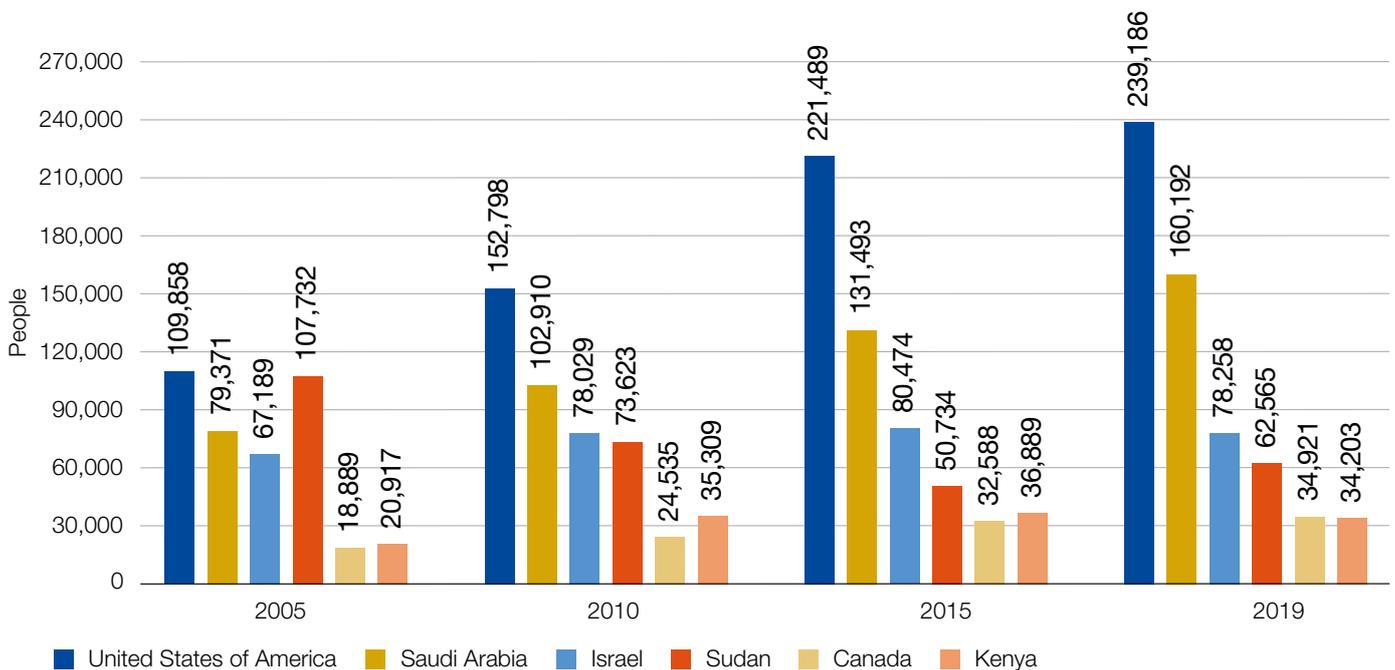
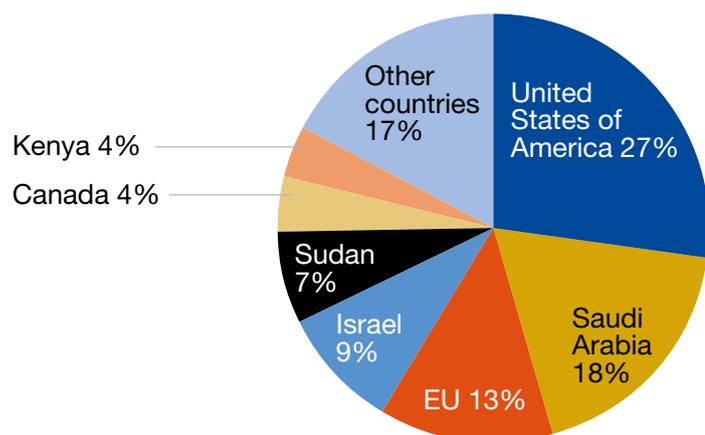


Figure 4. Migration stock by destination, 2019



Source: UNDESA (2019).

- In the last two decades, labour migration from Ethiopia has dramatically increased, in large part fuelled by a growing demand for cheap labour in the Near East (IOM, 2017). Female migrants taking up jobs as domestic workers now comprise the largest migration flows from Ethiopia, although the vast majority of these women migrate irregularly to the Gulf and Near Eastern countries (ILO, 2018). However, they also make up the largest percentage of migrants going to Saudi Arabia legally because there are more opportunities for them to do so (ILO 2019). UNDESA (2019) figures state that female Ethiopians only account for 31 per cent of migrants to Saudi Arabia, suggesting official estimates are likely considerably underestimated.
- As an indication of the predominance of irregular migration from Ethiopia, since the Saudi Arabian campaign against irregular migrants was launched in April 2017, the International Organization for Migration (IOM) (2020) has documented 351,870 Ethiopians, or over 8,000 a month, returning from the country, 79 per cent are male. Meanwhile, the International Labour Organization (ILO) (2019) found that 45 per cent of surveyed Ethiopians who had migrated to Gulf Cooperation Council (GCC) countries and Lebanon had no documentation, and that 59 per cent had migrated through an irregular channel.
- Moreover, from 2013 to 2018, the Government of Ethiopia banned migrants from seeking work in Gulf countries, following reports of abuse and exploitation of Ethiopian workers (ILO, 2019), which is likely to have further pushed workers to informal channels and the use of illegal agents (RMMS, 2014). In 2018, Saudi Arabia stated that it was hosting approximately 500,000 Ethiopian immigrants but about 60 per cent have since been repatriated.
- The COVID-19 crisis also resulted in numerous reports about the treatment of Ethiopian migrants in Saudi Arabia. Many were repatriated at the beginning of the crisis, with 2,968 people being returned in the first 10 days of April 2020. It was unclear if the repatriation was mutually agreed between the governments and the migrants. Another 30,000 were stuck transiting through Yemen (Financial Times, 2020). In September 2020, there were reports of thousands of Ethiopians being detained in prisons in Saudi Arabia with one facility alone holding close to 16,000 people (Middle East Eye, 2020).
- Prior to the Government of Ethiopia's ban and the Saudi Arabian campaign, the Ethiopian Ministry of Labour and Social Affairs estimated that 60–70 per cent of Ethiopians migrating to the Gulf and Near East in 2012 were trafficked or smuggled through illegal agents, while 83 per cent of Ethiopians travelling to Yemen in 2012 – a key transit country to travel onward to Saudi Arabia – were utilizing irregular channels and routes (RMMS, 2014).

It is estimated that there is a considerable number of undocumented, informal Ethiopian migrants in South Africa and the Near East. The COVID-19 crisis worsened their already precarious situation.

There is considerable divergence between the remittance data released by the National Bank of Ethiopia (NBE) and the World Bank: US\$2.5 billion according to the NBE in 2020 and US\$504 million according to World Bank 2020 estimates.

- South Africa is a major south–south migration destination for people from Ethiopia who transit through routes such as the United Republic of Tanzania, Mozambique, Kenya and Eswatini. The majority hail from Southern Ethiopia, which has the highest population density and a growing youth population (MIDEQ, 2020). Migrant entrepreneurs have the right to trade in the informal sector and in public spaces. They have established themselves in South Africa’s informal economy, especially in retail, transport, construction and service sectors. Since they are mostly locked out of the formal financial services sector, they operate a cash-based economy, sending remittances to their families mostly through informal channels (ACMS, 2019).
- The volume of remittances from South Africa to Ethiopia dipped during the COVID-19 pandemic, with migrants citing not working and saving for their own survival or emergencies at home as their reasons for not remitting as before. The South African government also adopted an anti-immigrant policy with help for small businesses and public health options only available to South African citizens.
- According to the World Bank, Ethiopia received US\$504 million in remittances in 2020, accounting for 0.6 per cent of the country’s gross domestic product (GDP), and has experienced a significant decline in inbound remittance from a historic high of US\$1.8 billion in 2014, in contrast to remittance trends seen in most other African countries (not factoring COVID-19 pandemic declines). The leading send countries to Ethiopia have remained consistent over time and broadly mirror the key destinations for migrants. Kenya is a notable exception – although it is the sixth largest host country for the Ethiopian diaspora, official recorded inflows are continuously low, standing at US\$8 million in 2018.
- Meanwhile, the NBE reports US\$2.5 billion coming in from SWIFT transfers, agents and other means. This data is collected via the reporting requirements of banks, which the NBE is working on automating.
- The NBE (2020) estimates that net private transfers (86 per cent of which are to/from private individuals) – including international remittances – accounted for 6.2 per cent of GDP for the fiscal year 2018–2019, a drop from 7.2 per cent for 2017–2018.
- Both the World Bank and the NBE show that the United States and Saudi Arabia are among Ethiopia’s top five send markets but diverge on all other data points. All Data is in millions of US\$.

Figure 5. 2020 NBE remittances inflows to Ethiopia by region (US\$ million)

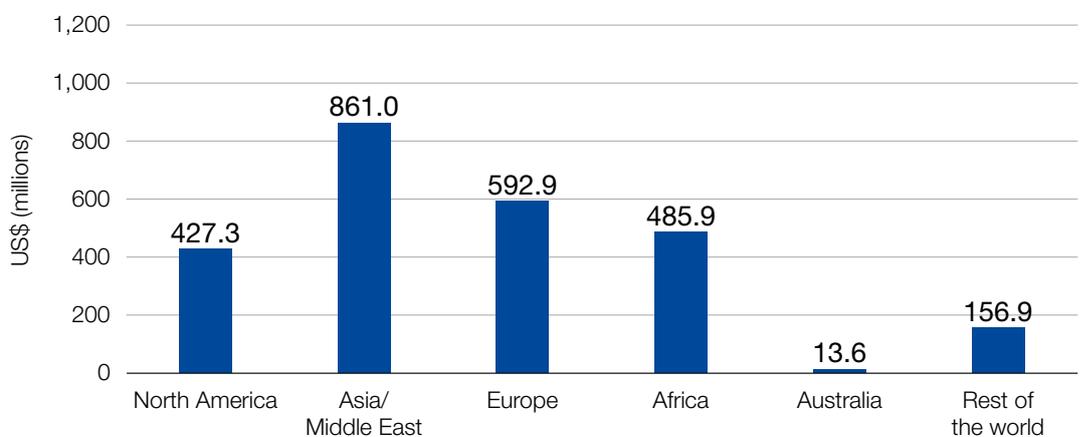


Figure 6. NBE 2020 top 10 formal remittances to Ethiopia by country (US\$ million)

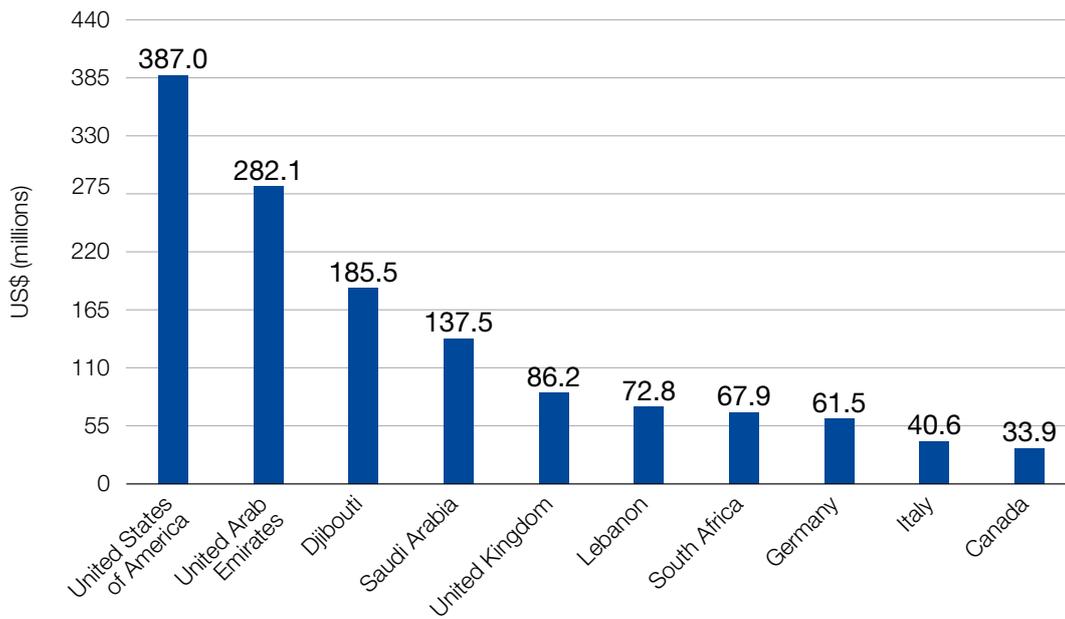


Figure 7. World Bank inbound remittances to Ethiopia by top five countries (US\$ million)

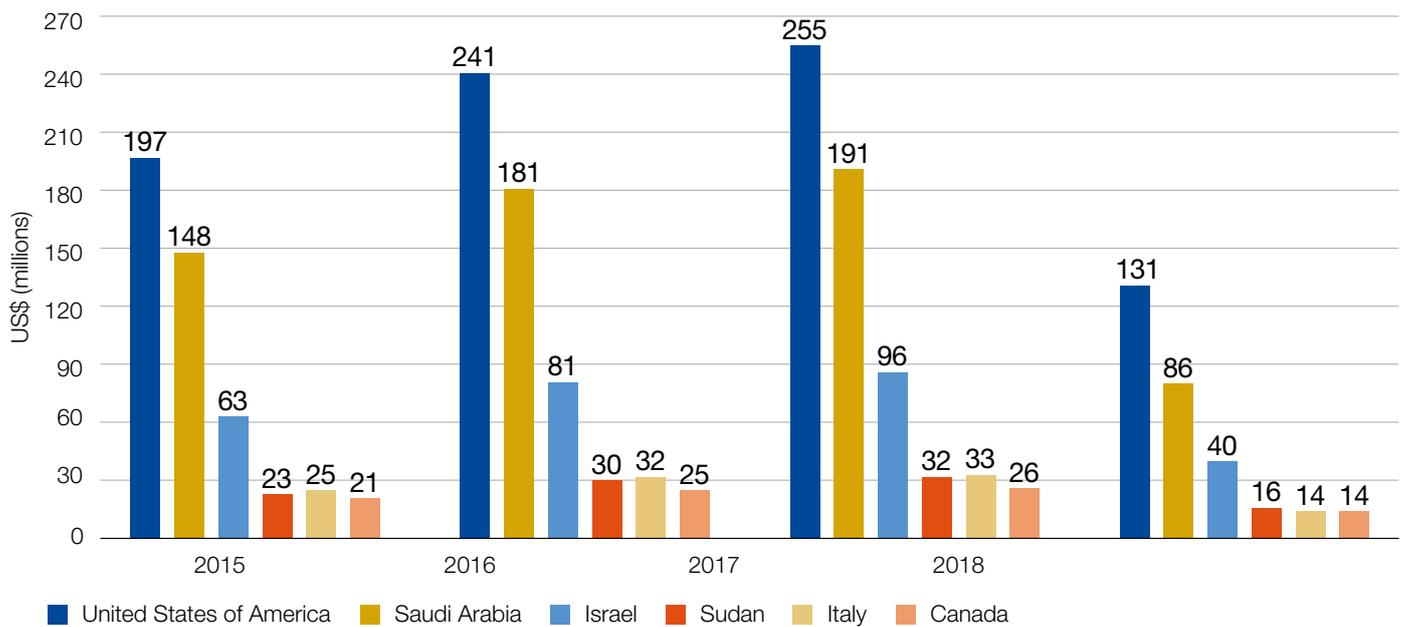
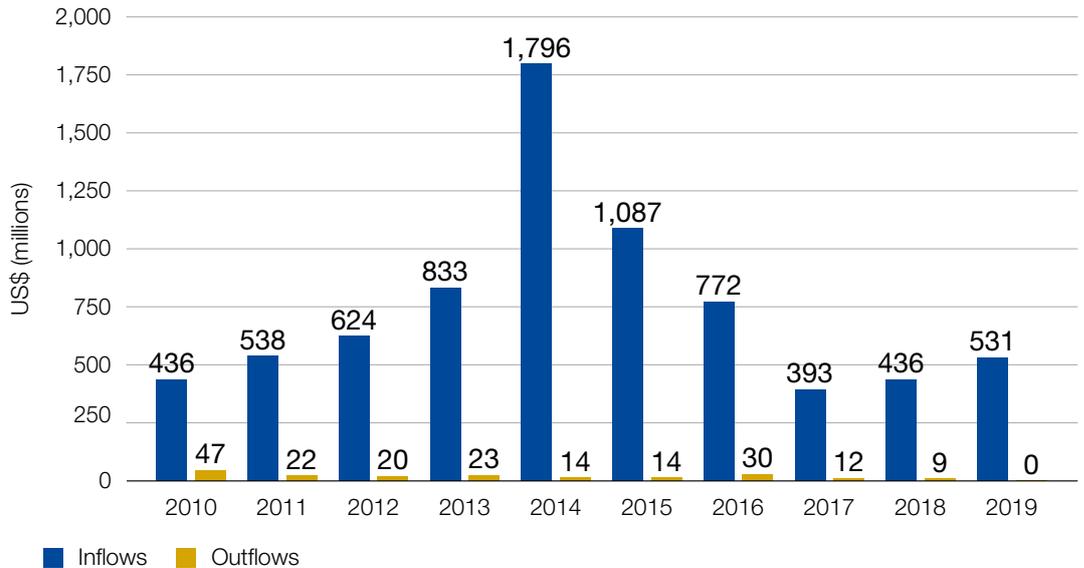


Figure 8. World Bank total remittance inflows and outflows (US\$ million)



N.B. No data on outflows for 2019.

Despite the significant discrepancies in the NBE and World Bank billing and revenue management data regarding the volumes of remittances being sent to Ethiopia, of the PRIME focus areas, Germany and Italy are in the top 10 send countries on both lists.

- The World Bank and NBE's estimates on remittance inflows differ considerably, both on the volume of the flows and the percentage each send country makes up of total inflows.
- Volumes from the EU countries listed in NBE data are significantly higher than BRM estimates, most notably Germany, which is listed at US\$11 million on the BRM but US\$61.5 million by the NBE.
- It is noted that the United Kingdom is listed as 'England' in the NBE data. The United Kingdom and England are treated as the same in this table for comparative purposes.
- Germany and Italy have been chosen as the corridors of focus for this diagnostic due to their relative positions in both the NBE and BRM lists: eighth and ninth on the NBE list and eighth and seventh on the BRM list. Djibouti and South Africa, although high on the NBE list, are in the bottom half of the BRM list. All other countries in the top 10 do not fall inside PRIME Africa's areas of focus.

Table 1. Comparison between NBE and World Bank remittance inflows to Ethiopia

	Remittance inflows (US\$ millions)	% total inflows	Remittance inflows (US\$ millions)	% total inflows
	National Bank of Ethiopia (2020)		World Bank BRM (2018)	
United States	387.0	15.2	131	33.3
United Arab Emirates	282.1	11.1	8	2
Djibouti	185.5	7.3	3	0.8
Saudi Arabia	137.5	5.4	80	20.4
United Kingdom	86.2	3.4	10	2.5
Lebanon	72.8	2.9	0	0
South Africa	67.9	2.7	2	0.5
Germany	61.5	2.4	11	2.8
Italy	40.6	1.6	14	3.6
Canada	33.9	1.3	14	3.6
Sweden	23.2	0.9	9	2.3
Israel	16.1	0.6	40	10.2
Kuwait	13.7	0.5	3	0.8
Australia	13.6	0.5	7	1.8
Norway	13.0	0.5	5	1.3
South Sudan	11.3	0.4	2	0.5
Sudan	1.9	0.1	16	4.1
The Netherlands			7	1
France			4	1
Switzerland		4	1	
Kenya		8	2	
World (others)	1,091.7	43.0	15	3.8
World (total)	2,539.5	100	393	100

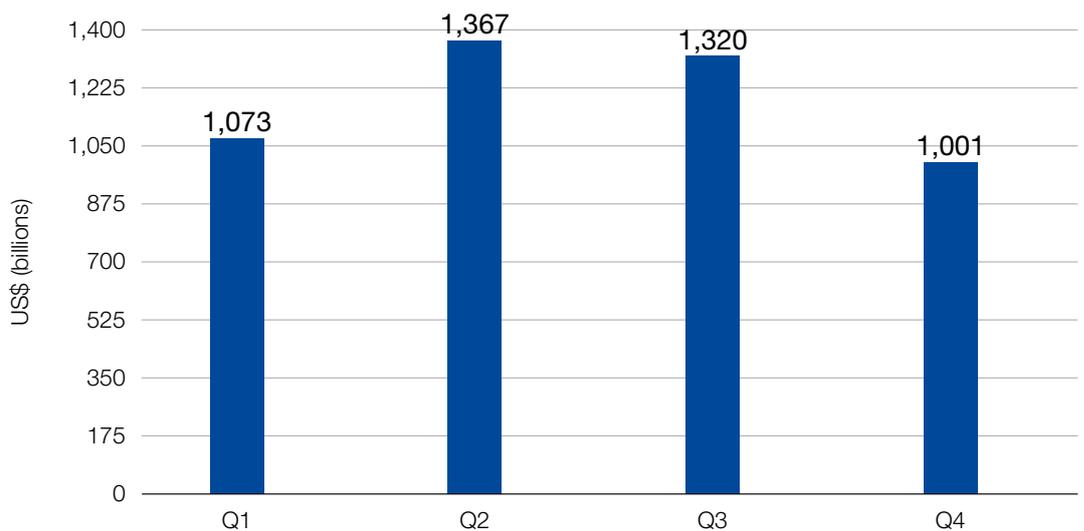
■ Intra-African corridor
■ GCC corridor
■ EU corridor

Regardless of the data source, all experts and stakeholders agree that there is a considerable number of remittances flowing through informal channels. The estimates vary between 29 per cent to 78 per cent of all remittances.

Informal remittance flows

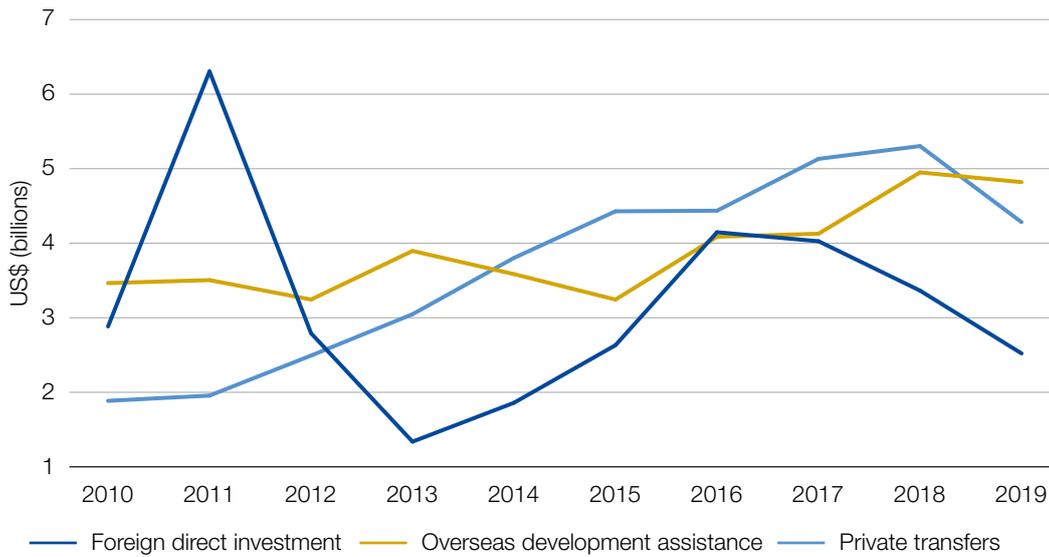
- Drawing on a World Bank national survey, which found that 14 per cent of Ethiopian adults received US\$120 per year, IOM (2017) estimates that 78 per cent of inbound remittances are sent through informal channels. Moreover, it is conservatively estimated that inbound remittances from Saudi Arabia could be double, and from South Africa triple, the flows recorded in the BRM.
- NBE (2015) estimates that 71.4 per cent of transfers to individuals are in cash and 28.6 per cent are underground transfers.
- Reasons for use of informal remittance services:
 - the existence of parallel market exchange rates, which are more favourable than formal ones;
 - lack of access to (formal) services in the send and receive markets;
 - high direct and indirect costs associated with formal channels, irregular migration; and
 - regulatory barriers for undocumented migrants. (IOM, 2017)

Figure 9. Total private transfers to/from private individuals Q1–Q4 2019 to 2020 (US\$ billion)



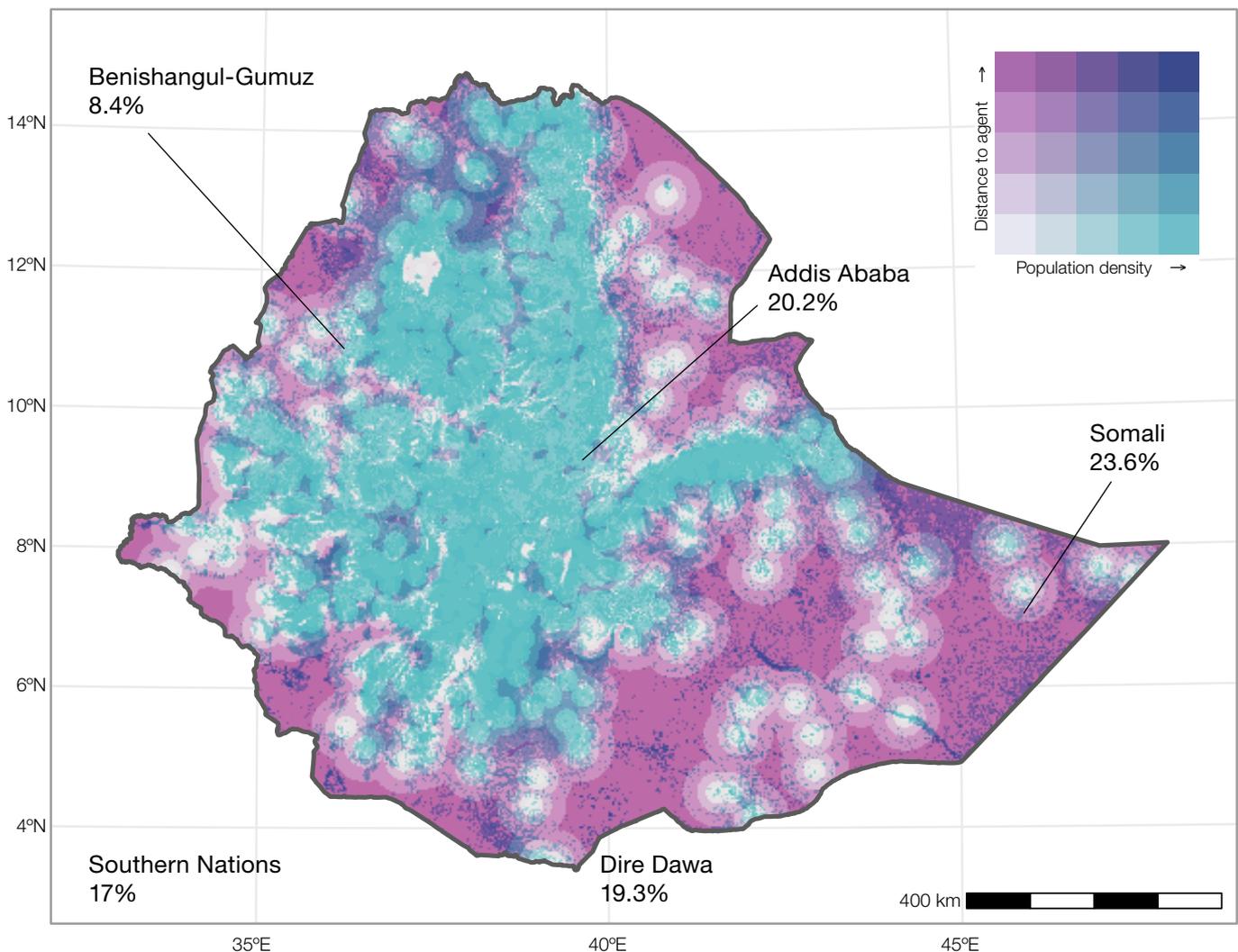
Source: NBE quarterly reports Q2 and Q4 2019/20.

Figure 10. Total foreign direct investment (FDI), overseas development assistance (ODA) and private transfers to Ethiopia (US\$ billion)



Source: World Bank (ODA and FDI); NBE (private transfers to private individuals).
 Note: Private transfers are for fiscal year, which runs from July-July.

Figure 11. Population in reach of a money agent in Ethiopia



Source: World Data Lab (2020).

An average of 14.5 per cent of Ethiopian households receive remittances, with some regions receiving much more. However, some regions, particularly near the border, have poor access to remittance pay-out locations.

- The World Bank estimates that in 2019, 10 per cent of households in Ethiopia had received cash transfers in the 12 months prior, with the median amount received in this period being Ethiopian birr (ETB) 4,000 (US\$99). Across the country, 14.5 per cent of households receive remittances as their other source of income. Urban dwellers received private transfers at double the rate (22 per cent) of the rural population (11 per cent).
- The map shows the population density of Ethiopia compared to the distance it takes to get to a money transfer agent (namely, Western Union and MoneyGram). It also highlights the incoming private transfers and gifts disaggregated by select regions according to the World Bank Socio-Economic Survey (2019). In the Benishangul-Gumuz region, 8.4 per cent of households were recipients, compared to 23.6 per cent for Somali region.
- The central areas of Ethiopia have relatively good access to remittance pay-out locations, whereas the border regions have areas where over 1,200 people would need to travel over 55 km to reach a remittance pay-out location.
- These areas might be served by microfinance institutions but most of them do not offer international remittance services.

COVID-19 response

The COVID-19 pandemic stalled Ethiopia's robust economic growth, necessitating urgent responses from the NBE as well as by some commercial banks in the country.

Prior to the pandemic, Ethiopia's economy was growing robustly and the shock caused by the COVID-19 pandemic is expected to significantly reduce growth this fiscal year and next. It has already tangibly weakened external accounts, given that services, exports, remittances and foreign direct investment have all declined.

NBE responses included:

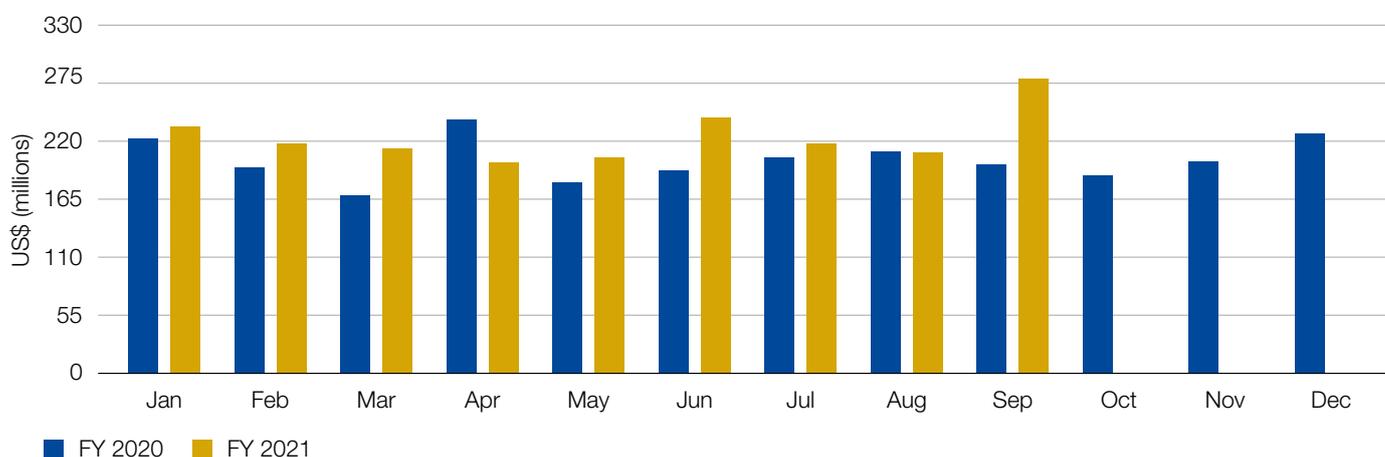
- Provision of liquidity ETB 15 billion (US\$457 million or 0.45 per cent of GDP) to private banks by redeeming NBE bills to facilitate debt restructuring to banks to maintain financial stability.
- Provision of ETB 33 billion (US\$767 million) of additional liquidity to the Commercial Bank of Ethiopia (CBE).
- CBE advanced US\$460 million for refinancing of commercial banks to support customer operations and provide foreign exchange for international trade operations.
- Tax exemptions and preferential access to currency for importers of materials and equipment to be used in the prevention and containment of COVID-19.
- Mobile banking transfer limits were increased to limit in-person transactions (IMF, 2020).

Bank-specific measures:

- Abay Bank waived fees on loan rescheduling and early settlement charges; increased one-time cash withdrawals from ATMs to ETB 10,000.
- Dashen Bank waived its commission on ATM transactions; commission fees were removed for extending validity of letters of credit and purchase orders, to reduce burdens on importers.

While remittances dropped by 10 per cent in FY20, they have rebounded during the first half of FY21. This is in line with what most other African countries faced, except for a few such as Kenya, which still experienced an increase of remittance inflows during the COVID-19 crisis. Foreign direct investment was severely hit, with inflows declining by 20 per cent in FY20, which contributed to weakening reserve levels (World Bank, 2020).

Figure 12. Comparison of remittances inflows in FY 20 versus FY 21



Source: National Bank of Ethiopia, 2021.

PRIORITY POLICY ACTIONS

1.1 Update data available on both formal and informal remittances and share them in a more accessible manner.

1.1.1 Update data collection and preparation processes to BPM6. These include having estimates for informal and in-kind remittances.

1.1.2 Improved coordination of data sharing so the World Bank and the International Monetary Fund (IMF) data is derived from NBE inflows data.

1.1.3 Continue to improve data collection mechanisms so that they can be automated and collected from banks, money transfer operators (MTOs), MFIs and other financial actors to allow for cross-referencing as needed.

1.1.4 A representative household survey will be needed in order to get more accurate informal remittance flow percentages.

1.1.5 Publicly share the remittances inflows numbers that are available in a manner that is easier to process, including disaggregated at corridor level and by channel. Currently only total inflows are shared as part of the quarterly reports.

1.2 Ensure policies implemented during the COVID-19 pandemic are maintained to further encourage financial inclusion, use of digital payments and reduce the prevalence of cash.

2. Financial environment

The payment system infrastructure in Ethiopia

Ethiopia’s National Payment System is gradually evolving but remains largely traditional and encumbered by several constraints, particularly the prevalence of cash.

Ethiopia’s **National Payment System** consists of:

- Real time gross settlement (RTGS) for low-volume, high-value transactions. Transactions of more than ETB 200,000 (around US\$7,000) go through the RTGS;
- Automated clearing house for high-volume, low-value transactions. Interbank settlement of transactions lower than ETB 200,000 are handled via cheques or letters; and
- National Switch (EthSwitch) which integrates ATMs and point of sale (POS) devices.

All banks are participants in the Ethiopian Automated Transfer System, which hosts an automated clearing house and settlement system.

There is no electronic funds transfer system that would be useful for processing digital transactions or a capital market in operation in Ethiopia. This impacts the business sector’s ability to formally invest in private and public sector equities (NBE; CENFRI, 2018).

Other literature, including the NFIS, state that the country’s capital market is still nascent and focused mainly on treasury bills and government bonds (NFIS, 2017).

Table 2. Constraints in Ethiopia’s National Payment System

Current constraints	Interventions
Prevalence of cash usage	National Digital Payments Strategy (NDPS) supported by Better Than Cash Alliance launched in June 2021
Financial markets are nascent and thus they cannot facilitate payments and flow of funds in the economy efficiently	New directives for payment issuers and payment operators have widened the financial market and broadened the mandate of EthSwitch. Visa and Mastercard have re-entered the market
Lack of formal secondary money and capital market in the country	In progress as part of financial sector reforms
Existing telecom infrastructure to support the payment system is insufficient and characterized by frequent network failure	Recent regulations have opened up the telecom sector and other telecom operators are expected to enter the market soon
Frequent power blackouts affect service provision	Various projects under Ethiopian Electric Power Company

- EthSwitch was established in 2011 and is jointly owned by the NBE and all commercial banks in the country.
- The NBE is the administrator of the national switch and is also responsible for regulating, licensing and supervising EthSwitch.
- Solutions offered to date include EthioPay, domestic payment card issuance and acquisition; electronic retail payment switching and clearing for ATM, card and POS.
- Following a directive of the NBE in 2016, all retail banks are required to link to EthSwitch. Six banks are hosted on EthSwitch, six banks have their own switch, and six banks use the Premium Switch Services – a consortium. EthSwitch connects 1,500 ATMs, over 13,000 POS-terminals and 2.5 million cardholders. Banks further launched EthioPay cards, which are interoperable among participating partners and were designed to compete with Mastercard and Visa. The two providers exited the Ethiopian market but have recently returned as part of the reforms in the financial services.
- ATM interoperability via EthSwitch is live while POS and account-to-account interoperability are currently being tested. This will soon be extended to other channels such as e-banking and mobile wallets (stakeholder interviews, 2021).
- As part of the modernization efforts, there are two modes of participation in the national switch: direct for entities with settlement accounts at the NBE (mostly banks) and indirect for those without. As of May 2021, MFIs can connect to the switch with Somali Microfinance bank becoming the first MFI to be connected as an indirect participant (Eth Switch, 2021).
- Payment technical service providers such as BelCash, M-BIRR and Kifiya can also link to the switch upon approval by the NBE (CENFRI, 2018), but these approvals take time, and none have been connected yet.
- Under the Africa Digital Financial Inclusion Facility, the African Development Bank extended a grant of US\$2.33 million to EthSwitch Share Company, a three-year initiative led by the NBE, for the modernization of its payments infrastructure. The project entails procurement and implementation of the required payment system and will facilitate design and use of different digital financial services including digital distribution of payments, such as social benefits, pensions and other government payments, e-commerce, transport systems and utility bills (African Development Bank, 2021). Launched in February 2021, this project also aims at enhancing financial inclusion among excluded women and other unbanked groups through the extension of digital financial services. The project also seeks to revise Ethiopia's financial inclusion strategy "to drive [the] gender agenda/gender disaggregated data."

EthSwitch facilitates interoperability amongst ATMs and EthioPay cards in the country. Ongoing modernization is aimed at addressing remaining Interoperability gaps in the market.

Premier Switch Solutions (PSS)

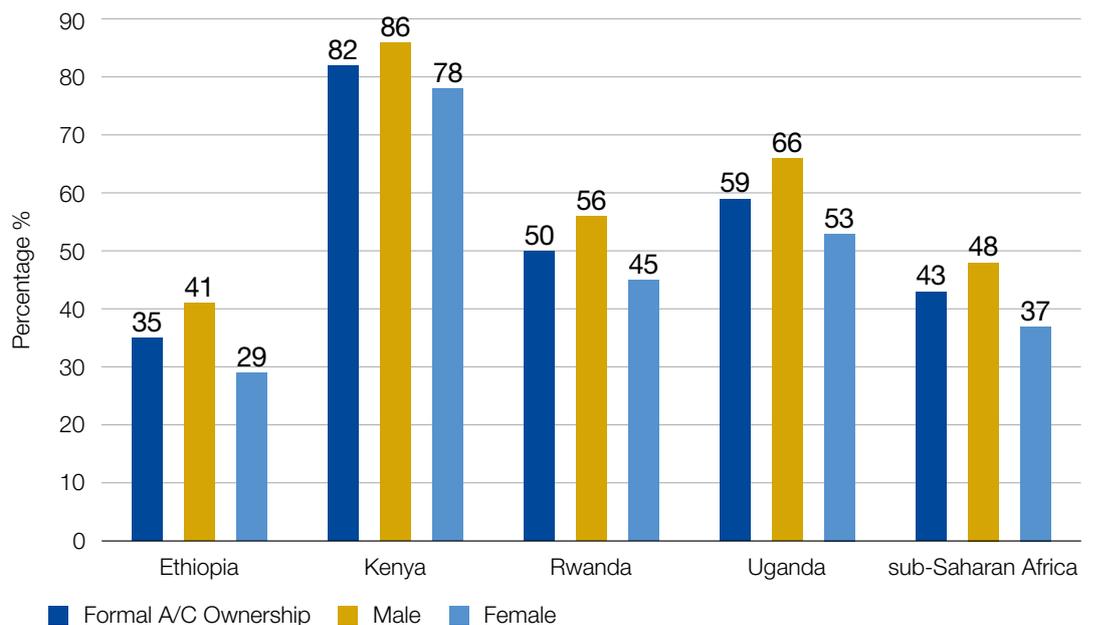
- PSS is a secondary payment switch in Ethiopia, a consortium owned by six private banks: Awash Bank, Nib International Bank, Hibret Bank, Berhan Bank, Addis International Bank, and Cooperative Bank of Oromia. PSS offers ATM, POS, Debit, credit and prepaid card solutions and serves as a third-party payment processor to its member banks. PSS's system is certified by Visa, Mastercard and Union Pay, the latter being the biggest card association in the world. Hence, members connected to the PSS network can issue and acquire cards with these brands.

Financial inclusion in Ethiopia

Financial inclusion rates are low in Ethiopia compared to other African countries, with a notable gender gap, low financial literacy rates and high usage of informal financial services.

- Financial inclusion in Ethiopia is low, with formal account ownership at just 35 per cent of the adult population (Findex, 2017). Though this increased from 22 per cent in 2014, it is lower than neighbouring countries as depicted in figure 11.
- Usage of financial services is equally low: 65 per cent of Ethiopian adults are unbanked, only 4 per cent use debit cards and the use of credit cards is close to none. A World Bank survey found that 85 per cent of adults reported insufficient funds as a major barrier to owning an account, while 20 per cent cited distance (World Bank, 2018).
- The gender gap is widening: 41 per cent of men versus 29 per cent of women owned an account in 2017 compared to 23 per cent versus 21 per cent in 2014.
- Some organizations are working toward closing the gender gap, including a women focused bank. Enat Bank was founded by 11 Ethiopian women to provide inclusive banking services mainly by focusing on women’s economic needs. It offers high interest savings accounts for women; financial education tools and training; and capacity-building advisory services and loans for women-owned small and medium-sized enterprises that lack collateral.
- Internet penetration in Ethiopia is only 20.6 per cent of the population (23.9 million users) (DataReportal, 2021).
- Device ownership was at 32 per cent for feature and smartphones in Q1 2020. Affordability is the largest barrier (NBE, 2021).
- Financial literacy: Previously, there were a few financial literacy initiatives through development organizations. The new National Digital Payments strategy (2021–2025) outlines a National Financial Education Strategy designed by the NBE’s Financial Inclusion Secretariat to provide financial literacy programmes in 2021, in partnership with the Ministry of Education, covering benefits of financial inclusion and various types of financial services (e.g. savings, credit, insurance, etc.).
- Semi-formal/informal services: There is high usage of informal services mainly for savings, credit and remittances. About 26 per cent save at formal institutions versus 38 per cent at informal ones; and 31 per cent borrow from family or friends (Findex, 2017).

Figure 13. Comparison of formal account ownership percentage



Source: Findex, 2017.

Financial sector in Ethiopia

The country's financial sector has been largely bank-led; the newly enacted directive on payment instrument issuers is expected to drive significant change.

Table 3. Financial service providers in Ethiopia

	Bank							Other
Financial Institution	Commercial banks	Microfinance institutions	Remittance service providers	Mobile network operators	Mobile money providers	Post office	Savings and credit cooperatives	Indigenous finance/informal
Distribution	19 2 public and 17 private	39	Estimated at 66	2	10+	1	19,000	–
Branches	6,628 branches	317 branches and 568 sub-branches	Are in bank branches	–	13,000 mobile agents	Approximately 1,030 to 1,400, with over 700 being agencies	Serve about 3.8 million active savers	–
Urban/rural distribution	34.2 per cent in Addis Ababa	33 per cent in Addis Ababa	Market leaders: WU, MG, Dahabshill, Xpress Money & Bole Atlantic	Ethiotel- single provider launched TeleBirr-mobile money transfer service in May 2021 so far with 1 million subs *Global Partnership for Ethiopia awarded licence in June 2021 but cannot start for at least one year	Mobile money services: Hello Cash, M-BIRR. Others are bank specific mobile wallets: CBE Birr, Aole, Oro cash, E Birr etc.	Approximately 890 in rural locations	Mostly in rural areas	–
Services offered	Cash-in/cash-out remittances	Regulated by NBE. Offers: savings, group and individual loans, micro leasing, micro insurance, micro pensions and peer-to-peer transfers	–	MNO previously not permitted to offer mobile money. Ethio Telecom money infrastructure used for mobile money services by Hello cash, M-Birr, etc.	–	Offers intra-Ethiopia remittances. Partnered with MTOs to offer international remittances; WU at 70+ branches; and Amole agent. 20 per cent of branches have ICT capabilities, with plans to increase capacity		Offer: micro insurance, burial, savings, and loan services

Mobile money and agent banking have experienced slow adoption; competition is limited and mobile money offerings are mainly first generation. But some fintechs are stepping in to offer more access points.

Mobile money

- Ethiopia is mostly a cash-based society due to low financial literacy, heavy restrictions on the digital financial sector, and the unreliability of internet connectivity and electricity. Mobile money remains at its infancy.
- About 40 per cent of the population owns a SIM card and 49 million devices – mostly basic phones – are registered in the country's telecom network (GSMA, 2021).
- The leading mobile money services are provided by fintechs in partnerships with banks and MFIs and have unique operating structures that differentiate them from traditional money transfer services in other African countries.
- Recent regulatory changes – including the enactment of the Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/0112020 – are expected to spur significant change. Prior to this regulation, only banks and microfinance institutions were allowed to provide e-money services. Other companies, such as fintechs and telecoms had to partner with a financial institution in order to offer mobile money services.
- Mobile money is supervised by the Ministry of Communications and Information Technology because payment service providers (PSPs) are considered value-added or technical services rather than financial services (CENFRI, 2018).
- Ethiopia's state-owned, telecommunications company, Ethio Telecom used to operate M-Birr in partnership with five MFIs. It has since launched Tele Birr, which has seen rapid adoption, registering close to 1.8 million users within two months (Technext, 2021).
- In 2021, a second telecom provider, the Safaricom led consortium Global Partnership for Ethiopia, recently received approval for licensing in provision of telecommunication services. Licensing of this or any other foreign entities for mobile money were only permitted in May 2022.
- Currently 18 FSPs (8 MFIs and 10 banks) offer mobile money products; however, there is no account-to-account payment interoperability between the mobile money services in the country (GSMA, 2021).

Agency banking

- Only banks, MFIs and insurance companies are permitted to use third party agents. At least eight of Ethiopia's 17 banks have agency banking. There are stringent requirements for onboarding agents.
- Agents must be registered commercial businesses and are approved by the regulator alongside the PSPs application for agent banking.
- There are an estimated 20,000 agents in the country, of which over 65 per cent are based in Addis Ababa (stakeholder interviews, 2021). Other estimates place the number at 13,000.

Agent transaction volumes are still low. PSPs attribute this to a weak business case. Other challenges include limited use cases at traditional access points, improper pricing that does not drive customer traffic to agents, restrictive licensing requirements such as valid business license, proof of no criminal record (which are difficult to obtain), and recurring costs from agent acquisition for parent banks.

The Green Connectivity Network initiative by BelCash

The World Bank funded innovative agency banking model.

- Targets 1–2 hubs in each of Ethiopia's 770 administrative districts, all digital services offered in one hub: energy, connectivity SIM cards, internet, e-commerce, logistics and banking.
- 15,000 kiosks will be connected to the hub powered by green energy provided by Halo Solar.
- The kiosks are portable and can provide internet within a 10 km radius.
- Hello cash is the super agent. Agents are BelCash agents and work with all enrolled banks. (Stakeholder Interviews 2021).
- The project is still in its infancy and pilots are commencing soon.

Table 4. Mobile money services available in Ethiopia, as of December 2020

Service	M-BIRR	Hello Cash	Amole	Awash m-wallet	Abay Be Deye	Oro Cash	CBE Birr/ Tele Birr	EnquPay	E-Birr
FSP	MFIs	MFI/Banks	Dashen Bank	Awash Bank	Abay Bank	Oromia Int'l Bank	CBE	Bank of Abyssinia	Coop Bank of Oromia
Tech partner	Moss ICT	BelCash ICT	Bole Atlantic	Moneta Tech	S2M	TechnoBrain	Huawei	PayQwick Tech	E-Birr Tech
Year launched	2015	2015	2015	2015	2016	2016	2017	2018	2018
Registered customers	2.2 m	1.3 million	1.9 million	600,000	n/k	110,000	1–3.8 million	8,000	n/k
Branches/ service points	1,839	914	400	430	n/k	n/k	1,500	n/k	n/k
Agents	11,762	6,573	n/k	30	n/k	n/k	10,441	n/k	n/k

Microfinance institutions

- The Government of Ethiopia issued its first microfinance legislation in 1996 (Proclamation 40/1996) to provide microfinance services to the poor via deposit-taking MFIs. The same proclamation prohibited other forms of organizations from providing similar financial services to those of the newly regulated MFIs (ICARDA, 2020).
- MFIs can be state-owned or NGO-originated, the latter option being a way for NGOs to offer financial services in unserved areas. Government-owned MFIs have the advantage of better access to credit, loans and other capital assets that can be used as collateral when taking out loans (stakeholder interviews, 2021).
- There are 35 MFIs in Ethiopia that collectively hold 6 per cent of all financial sector assets. The five largest MFIs (Amhara, Dedit, Oromia, Omo, and Addis Credit and Savings Institutions) are state-owned, with 11.4 million accounts that amount to 81.4 per cent of the total capital, 89.9 per cent of total deposit, 85.3 per cent of total credit and 85.9 per cent of total assets of MFIs (NBE, 2020)
- MFIs have much wider networks than banks, especially in rural areas where they are present at the village level. The Association of Ethiopian Microfinance Institutions is an NGO that includes all 30 MFIs currently licensed by the NBE.

MFIs are an important part of the financial landscape with good rural reach. Although regulated by the NBE, they are required to partner with banks for international remittances but most have not done so.

- Although MFIs are intended to serve the financial needs of the poor, and currently are highly relied on by farmers and businesses, 80 per cent of the poor depend on informal lenders, suggesting that MFIs can achieve greater outreach (MIDEQ, 2018).
- The Government of Ethiopia plans to place an MFI branch in each *woreda* (district) of the country, each serving an average of 24,000 households. Some MFIs are opening satellite offices to be closer to the people. One satellite office serves 3,600–6,000 households (or one of five *kebeles* [or wards]) (USAID, 2019).
- Like banks, they are allowed to have agents and offer mobile money but must partner with banks in order to offer international remittances pay-outs. Most banks and MFIs have not taken advantage of this, and no known MFIs are acting as bank sub-agents. There is a missed opportunity for MFIs to play a key role in facilitating international remittance cash-out, leveraging their direct licensing by the NBE, existing partnerships with other financial institutions, rural coverage and reaching typically unreached segments.

Ethiopia's financial sector is rapidly expanding, with the entry of new banks, including the first Islamic bank, a diaspora bank, MFIs and fintechs.

Close to 20 new private commercial banks are under formation in Ethiopia and four more are awaiting NBE approval. They include:

- ZamZam Bank: Ethiopia's first fully fledged Islamic bank that plans to adopt a technology-based approach from its inception in June 2021;
- Hijra Bank: an interest-free bank offering Islamic banking services;
- Amhara Bank: supporting innovation and entrepreneurship while providing dependable financial services to the unbanked and under-banked segments in the country;
- Ye Ethiopia Diaspora Bank: premised on the country's macroeconomic demand driven development needs; untapped economic potential of the Ethiopian diaspora globally and their ambition to participate in the economic development of their country; and
- Selam Bank: owned by a group of Ethiopians in diaspora and set to become the second mortgage bank in Ethiopia.

Three MFIs will be transitioning into banks, including the Amhara Credit and Savings Institution. Over 10 yet-to-be publicly named fintechs are set to join the sector to offer digital financial services.

Table 5. Some of the new banks launching in Ethiopia

Bank	Status	Type
ZamZam	Launched in June 2021	Interest-free bank
Nejashi, Hijra and Zad	Under Formation	Interest-free banks
Ramis, Amhara, Geda, Gohe, Selam, Sheger, Ahadhu, Jano, Hosana, Damota, Ahadu and Diaspora	Under Formation	Commercial banks

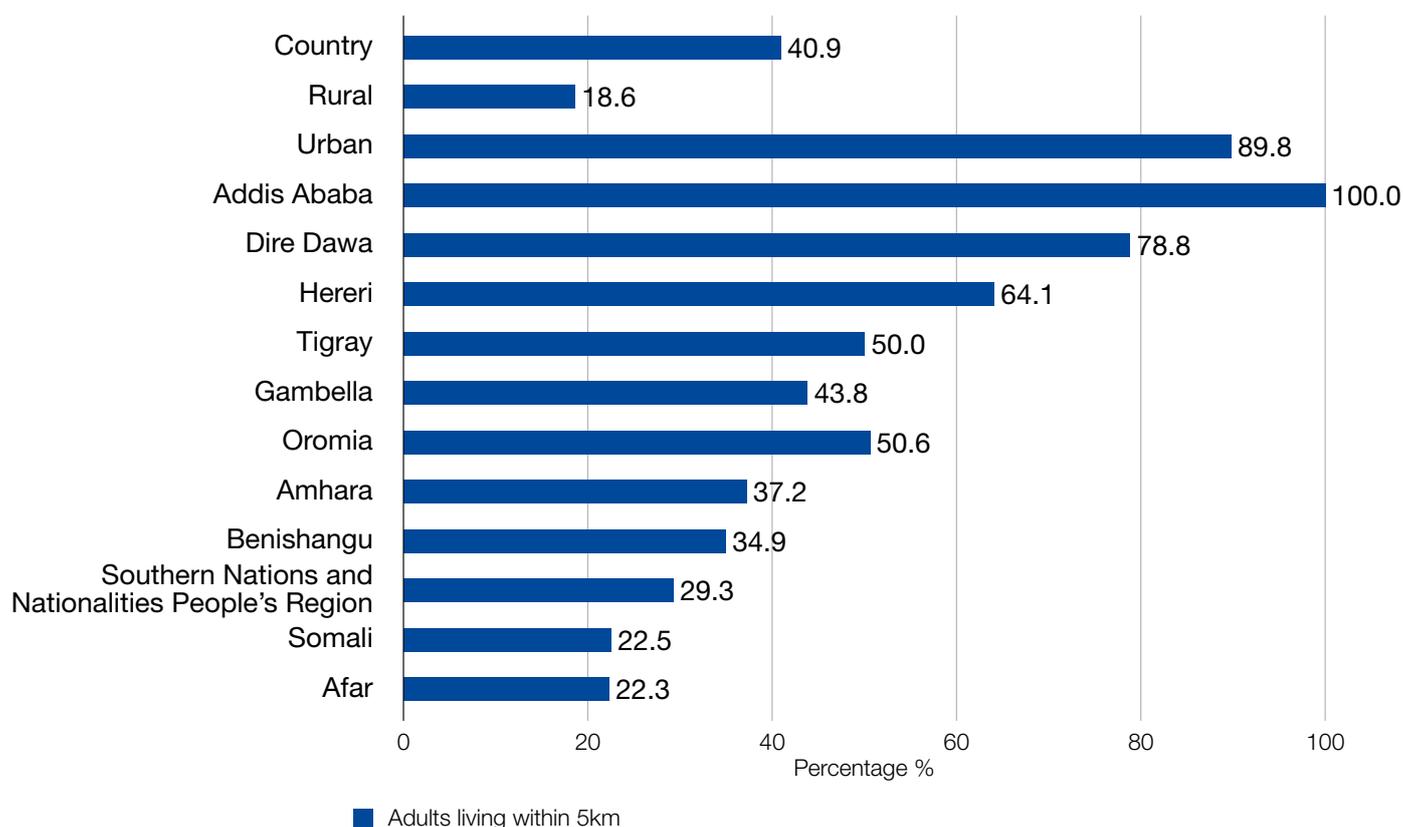
Source: Addisbiz, 2020.

Payment access points

- Access penetration of financial access points is relatively low in Ethiopia. According to the NBE, per 100,000 adults, there are:
 - 7.2 commercial bank branches
 - 3.7 MFI branches
 - 3.3 post offices (mainly rural)
 - 16.3 points of sale (POS)
 - 3.6 automated teller machines (ATMs)
- During 2019–2020, banks expanded their branches to 6,511 from 5,564 a year prior.
- Bank branch to population ratio stood at 1:15,702 people (NBE Annual report, 2019/2020).
- The government's Growth and Transformation Plan II includes a mandate for banks to increase their branch network by 30 per cent each year over the next five years and to develop 50 agents per branch.
- GIS mapping of access points was planned but has not been completed.
- Post offices have wide national coverage and are permitted to cash-out cross-border remittances as sub-agents of banks, but do not do so on a wide scale due to conditions imposed by Western Union. However, post offices are increasingly active in the cash-out of remittances sent via mobile phones and widely used for sending local remittances, for example, parents supporting their children at university. There is an opportunity to include them in the international remittances ecosystem since people are already used to using them for local remittances.

Penetration of formal financial access points is low and mainly concentrated in Addis Ababa and other major urban centres. Many financial access points do not provide cross-border remittance services.

Figure 14. Proximity to nearest formal financial institutions by region and residence. 2018/2019 18+ adults living within a 5 km radius



Source: Ethiopia Socioeconomic Survey 2018/2019, Central Statistics Agency of Ethiopia, 2019.

Several informal and semi-formal services exist to meet the financial needs of rural and low-income earners. With the proper support, these organizations could be leveraged to improve formal financial access in Ethiopia.

- Usage of informal and semi-formal financial services is prevalent in Ethiopia, especially among low-income earners, presenting a bridge to formal financial services.
- The Iqub and Edir: Local, community-based revolving savings, credit and insurance societies are entrenched in Ethiopian societies and considered the most important informal financial institutions in urban and rural areas (Besir, 2017).
- Other informal services include *mahebers*, *debo*, elders' groups, women's associations, money lenders, friends and relatives, pawnbrokers, money keepers and tradesmen.
- Savings and credit cooperatives (SACCOs): Semi-formal and registered by the federal cooperative agency and therefore have a low level of formality but differ in structure.
- There are 19,000 savings and credit cooperatives (SACCOs) nationwide, representing 3.8 million active savers, but they are considered weak and do not provide services on a sustainable basis.
- The NBE plans to leverage SACCOs for financial inclusion by placing at least one SACCO in each *kebele* to serve 1,000 to 1,400 households. There is evidence that this has worked well where already practiced.
- The semi-formal state of SACCOs means they cannot be used as remittance cash-out points but opportunities exist to modernize and automate them to serve areas without banks or MFIs.

Terrafina supports MFIs and SACCOs in capacity-building and modernization

- Terrafina is an organization that supports MFIs, and also helps about 100 SACCOs with professionalization and modernizing/automating their processes.
- There is a lot of variation in the capacity of SACCOs and their functions differ significantly, but generally they are well-trusted by their members.
- Some SACCOs are on par with some MFIs and are generally very professional with substantial capacity, including branches, bookkeepers, office buildings, tellers, etc.
- Some SACCOs supported by Terrafina would be capable of being sub-agents of banks if the interest was there on the bank side.



©Awach, 2021

Staff of Awach, a SACCO headquartered in Addis, participating in the great Ethiopian Run on the 10 January 2021. They also provided their members with provisions during the COVID-19 pandemic.

Financial inclusion is a priority for the Ethiopian government and its national strategy has several interventions that are currently being updated and will soon be launched.

- In 2014, the government set up the National Council for Financial Inclusion to centralize financial inclusion services offered by different providers and formulate a national strategy. It constitutes five council members selected from NGOs, the government and banks.
- The NFIS launched in 2017 with the vision of achieving universal access to and the use of a range of affordable and high-quality financial products and services by 2025.
- Key interventions outlined in the National Financial Inclusion strategy are outlined in table 6.

Table 6. Interventions to promote financial inclusion

Gap	Intervention
Underdeveloped financial sector and supporting physical infrastructure such as roads, electricity distribution, telecoms coverage	Strengthening financial sector and other infrastructure: <ul style="list-style-type: none"> – Develop modern payment infrastructure – Improved credit information systems – Develop technology and physical infrastructure – Improved financial data collection and monitoring
Inadequate supply of suitable financial products, services and access points	Ensure the supply of adequate range of suitable products, services and access points: <ul style="list-style-type: none"> – Develop suitable credit, savings and Insurance products – Digitalization of government-to-person payments from cash-to-transaction accounts
Lack of well-articulated financial consumer protection	Build a strong financial consumer protection framework; improve and enforce regulations pertaining to consumer protection
Low levels of financial capability and awareness	Improve financial capability: <ul style="list-style-type: none"> – Stock-taking of current literacy and education capability – Development of unified national financial capability strategy

The Bill & Melinda Gates Foundation is currently partnering with the NBE to review the financial inclusion strategy with an implementation focus. It is at the final stages pending public launch. The government has demonstrated support for reforms through other plans and strategies, including the EMaya declaration (2011) and the Diaspora Policy (2006 and 2013).

The newly launched National Digital Payments Strategy (NDPS) 2021–2025 aims at driving the country toward a cash-lite and a more financially inclusive economy.

The NDPS 2021–2025 is a critical part of Ethiopia's financial sector reform strategies aimed at transforming the country's payment ecosystem toward a cash-lite and more financially inclusive economy.

The NDPS is a key component of the NBE's plan for modernizing Ethiopia's national retail payment system. The strategy identifies four major challenges and outlines four key pillars with strategic actions to address them.

Table 7. National Digital Payments Strategy framework

Vision	1. Build a secure, competitive, efficient, innovative, and responsible payments ecosystem to support a cash-lite and financially inclusive economy			
Strategic pillars	2. Develop a reliable, inclusive and interoperable infrastructure	3. Champion adoption of inclusive digital payments	4. Build a robust and consistent regulatory and oversight framework	5. Create an enabling environment for innovation
Enablers	6. Commit to an efficient, reliable, and safe national payments system			
	7. Prioritize and invest in capacity-building across the digital payments ecosystem			
	8. Guarantee active and ongoing coordination with national development reforms and policies			
	9. Build a robust governance and implementation road map, and monitor success using key performance indicators			

Source: NDPS, 2021.

Challenges around national identification and tiered know-your-customer (KYC)

An estimated 65 per cent of the population – the fourth largest globally – does not have national IDs and efforts to roll out a national digital biometric enabled ID system have been slow. Tiered KYC is included in the new payment directives, which could improve the usage of formal financial services.



©IFAD/World Bank Group

There is no national ID in Ethiopia, but all regions and two administrative states each have a regional ID card, which is distributed at the subregional level at *kebeles* level and it is unclear what percentage of the population has them.

- Kebele ID cards are still accepted as a valid form of identification by financial institutions.
- Ethiopia plans to launch a biometric national ID card system but progress has been slow.
- The “yellow card” or Ethiopian origin ID is issued to Ethiopian nationals with foreign citizenship as the constitution does not allow for dual citizenship.
- KYC requirements are outlined in the Customer Due Diligence of Banks directive (2010). For standard KYC, maximum mobile banking and daily transaction limits apply: daily transaction limit ETB 6,000 (US\$220) while balances are capped at ETB 25,000 (US\$915).
- Tiered KYC in the form of enhanced due diligence applies to domestic and cross-border remittances above US\$1,000 through any other channels.

The [Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01I2020](#) outlines tiered KYC limits for opening low value accounts as follows:

Table 8. Tiered KYC limits to open low value accounts

	Max account balance	Daily transaction limit	Monthly transaction limits	ID requirements
Level 1	ETB 5,000 (US\$120)	ETB 1,000 (US\$24)	ETB 10,000 (US\$240)	Username, date of birth, residential address, contact numbers, recent photo
Level 2	ETB 20,000 (US\$475)	ETB 5,000 (US\$150)	ETB 40,000 (US\$950)	Username, date of birth, residential/business address, contact number, recent photo, account holder's ID captured in the system
Level 3	ETB 30,000 (US\$711)	ETB 8,000 (US\$190)	ETB 60,000 (US\$1420)	

Other: Walk-in users or users without an electronic account are subject to level 2 customer due diligence requirements with daily limits of US\$150.

For merchants or agents, the payment instrument issuer shall validate and capture credentials where applicable such as: memorandum and articles of associations, business license, taxpayers' ID certificate; bank account details; owners name, business address, contact details and employee details.

PRIORITY POLICY ACTIONS

2.1 EthSwitch participation should not be compulsory as the country has other switches and EthSwitch turn-around time is extremely slow. This would also promote innovation and competition.

2.2 In driving adoption and usage, the NFIS Phase II and NDPS should ensure use cases are incorporated into their strategies, such as supporting remittance-based savings and loans that are attractive for new entrants into formal financial services. Special attention should be paid to the use cases for women and rural residents.

2.3 Support for national identification rollout, digital ID, electronic KYC and further access of national ID registry by bank and non-bank FSPs.

2.4 PSP Support in the following areas:

- 2.4.1 Ramp up innovative touchpoints to cover the country cost effectively, for example, innovative MNO agent models that are not reliant on bank branches such as the Green Connectivity model.
- 2.4.2 Provide technical assistance for (a) the post office; and (b) selected MFIs to become super agents and also bank agents for cross-border remittance cash-out. A viable business model is also needed to ensure this is beneficial for all without any added costs to the customers.

- 2.4.3 Leveraging improved regulatory frameworks, provide technical assistance to bank and non-bank FSPs to develop innovative second generation use cases, including cross-border services through bilateral partnerships or cross-border payment aggregators.
- 2.4.4 Support for FSPs to adopt tiered KYC frameworks as stipulated in the directive to expand customer acquisition
- 2.4.5 Further support in formalizing/improving the professionalism of SACCOs in order to expand the possibilities for financial inclusion
- 2.4.6 More support and structure for smaller MFIs so they can access capital/loans and expand their offerings to customers.

2.5 Implement GIS mapping of access points to identify gaps and use a needs-based approach to extend distribution. This can be cross-referenced with a household survey (recommendation 1) to create a business case and encourage banks and other FSPs to open branches in the locations with the highest need.

3. Regulatory environment

Engaging in cross-border money transfers requires operators and their partners to operate according to the rules and regulations of the host jurisdiction, each country having its own regulatory environment.

Regulations govern licensing (in terms of who is allowed to operate in the market); compliance, including anti-money laundering/combating the financing of terrorism (AML/CFT) frameworks and KYC; consumer protection; exclusivity; and the rules of engagement.

This section presents an overview of the payments and remittance regulatory environment in Ethiopia, assessing whether it is fit for purpose, proportionate, fair and in line with achieving the PRIME Africa goals. This section also looks at the AML/CFT legal framework; foreign exchange restrictions; and mobile and agent banking regulations.

Overview of the payments regulatory framework

The Banking Business Proclamation (Federal Negarit Gazeta Proclamation 592/2008) 2008 is the overarching law conferring the full range of powers of a banking regulator to the NBE. It further addresses mandatory requirements with respect to: (1) the licensing of new banks; (2) share registry and shareholders; (3) director and senior management qualifications; (4) banks' financial obligations and limitations; (5) financial record-keeping and audits; (6) disclosure and inspection; and (7) other miscellaneous areas.

The Proclamation also designates that detailed directives shall be regularly put out and revised as deemed appropriate by the central bank (NBE). There are three levels of regulatory frameworks:

1. Proclamation – a law that provides broader, general guidance
 2. Directive – a regulation derived from the proclamation, that sets out the details of the law
 3. Circular – when a specific change to a part of the directive is announced
- Most regulations are uploaded on the NBE website; however, they are all scanned as signatures are needed on each page, which in turn renders them hard to trace with a key word search.
 - The remittances sector is regulated by the NBE through the 2006 Provisions for International Remittance Services Directive FXD/30/2006 amended in 2009.
 - Ethiopia has not liberalized its banking sector, unlike neighbouring Kenya, the United Republic of Tanzania, Uganda, and other developing countries; as a result, remains closed to foreign investors in Ethiopia.
 - Directive FXD/68/2020 recently opened up the financial sector to investments by the Ethiopian diaspora. The response was remarkable with a number of bank entrants such as Selam and Ye Ethiopia Diaspora Bank now being owned by Ethiopians in diaspora.

Ethiopia has had one of the most regulated and controlled financial sectors in sub-Saharan Africa with a complex regulatory framework.

The NBE has a monopoly on all foreign exchange transactions and supervises all foreign exchange payments and remittances.

Cross-border remittance regulations are contained in the 2006 Provisions for International Remittance Services Directive amended in 2009. Key provisions, especially on licensing, have been replaced by new payment regulations.

- The Ministry of Communications and Information Technology regulates the telecommunication sector, currently Ethio telecom and the recently licensed Safaricom-Vodafone consortium as well as technology providers such as M-BIRR, BelCash and Kifiya, which were previously considered value-added services (changed with the enactment of the Licensing and Authorization of Payment System Operators Directive No. ONPS/02/2020).
- The NBE has a monopoly on all foreign exchange transactions and supervises all foreign exchange payments and remittances. The Ethiopian currency, the birr, is not convertible. Because the government carefully monitors and controls its movement, the birr trades in a very narrow range, and is widely considered overvalued, particularly in light of Ethiopia’s high inflation rate.
- The NBE stringently regulates the foreign exchange market in the formal sector with remittances only cashed out in birr and outbound cross-border remittances not permitted. Informal operators however allow foreign exchange payments, including outbound at favourable rates than the formal market. This may partly explain the fast growth of informal operators, increasingly as a preferred option for those facing recent increase in inflation in the country (Alemayehu et al., 2011).
- GSMA’s Mobile Money Regulatory Index quantitatively assesses the extent to which regulation has been effective in establishing enabling regulatory environments. It ranked Ethiopia 70 out of 81 developing countries worldwide. With high scores on transaction limits (85.52 per cent) and agent networks (100 per cent), and particularly low scores on authorization (46.67 per cent) and KYC (50 per cent), these have since been addressed through newly enacted regulations (GSMA, 2019).
- Cross-border remittances are regulated by the NBE through the 2006 Provisions for International Remittance Services Directive FXD/30/2006 amended in 2009 as follows:

Table 8. NBE provisions for international remittances and their implications

Remittance related regulation	Key provisions	Implications on remittances
Remittance regulations cover: personal transfers; funds transfers for investment, donations, deposits and service payments as well as temporary and permanent migrant transfers		
International Remittance Services Directive FXD/30/2006 Only commercial banks, international money transfer operators in association with banks, and non-financial organizations are permitted to offer cross-border remittances. EthioPost, MFIs and the other PSPs, including those offering mobile money service, can provide domestic remittances services, in partnership with banks.	The NBE must approve agency agreements with international money transfer operators (IMTOs); transparency of rates, service terms and transfer duration, display of correspondence banking agreement and details, non-exclusivity, defined maximum contract (between banks and IMTOs) duration of two years renewable by NBE approval and reporting remittance data in prescribed formats on a monthly basis.	Presence of dedicated remittance regulation ensures compliance by remittance service providers (RSPs). Exclusive bank-led environment locks out other more innovative remittance providers.
Amendments in 2009	Mandating RSPs to sign non-exclusive agreements, charge zero or minimum tariffs on remittance transfer service and reveal the terms and tariffs to their clients (ACP EU Migration Action, 2016).	Non-exclusivity is key to competition, minimum tariffs ensure affordability.

- Mobile money is not explicitly mentioned within the remittances directive, but some banks are able to pay-out international remittances via mobile money to their customers.
- While the regulatory changes in the financial service sector significantly impact the provision of cross-border remittances, there are no indications that the existing remittance regulation will be amended to reflect these changes.

Regulation of mobile and agent banking services are outlined in:

Directive No. FIS /01/2012, of which key provisions include:

- Mobile and agent banking service shall be carried out only within the geographical boundary of Ethiopia and only transacting with the Ethiopian birr.
- Permissible agent activities include: account opening, KYC, cash-in cash-out, transfers and payment service
- All customer and agent transactions must be done on a real time basis
- PSPs shall have a mechanism to uniquely identify each of its agents.
- The maximum balance that should be available in a mobile account of a person with a financial institution at any time shall not exceed ETB 25,000 (US\$570).
- Daily mobile banking transaction that involves debiting of an account by a person with a financial institution shall not exceed ETB 6,000 (US\$136).
- Product pilot period defined between two and three months during which PSPs cannot make any public campaigns or promotions related to the services.
- FSPs must ensure compliance with the requirements of Prevention and Suppression of Money Laundering and the Financing of Terrorism Proclamation Number 657/2009 and Customers Due Diligence of Banks Directives No. SBB/46/2010.
- Eligibility to become an agent is open unless existing business is regulated by another entity, in which written consent from that regulatory body is required. Except foreign owned entities, religious organizations and NGOs are not allowed to engage in profit-making businesses.
- Consumer protection clauses including keeping customer information confidential, issue resolution in good time, not charging extra, etc.

Provisions in the Mobile Money and Agent Banking Regulation, including recent amendments, are conducive, clear and comparable to those in other developing countries.

FIS/02/2020 Use of Agents Directive. Additional provisions include:

- use of super agents and their eligibility criteria;
- cooperatives can also become agents;
- outsourcing agent management services; and
- non-exclusivity and terms expressly stated.



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Ethiopia’s financial environment is undergoing numerous regulatory changes within a short amount of time. Some have been welcomed by stakeholders while others have caused inconveniences.

Figure 15 shows a timeline of all the directives and circulars relating to remittances that have been released by the National Bank of Ethiopia (NBE) since the beginning of 2020. These changes address various parts of Ethiopia’s financial ecosystem and some of the changes have been welcomed as modernizing and opening up the financial market to new types of players and possibly improving foreign exchange shortages. Other directives have confused or inconvenienced consumers and stakeholders.

Figure 15. Timeline of remittance-related directives by the NBE since 2020

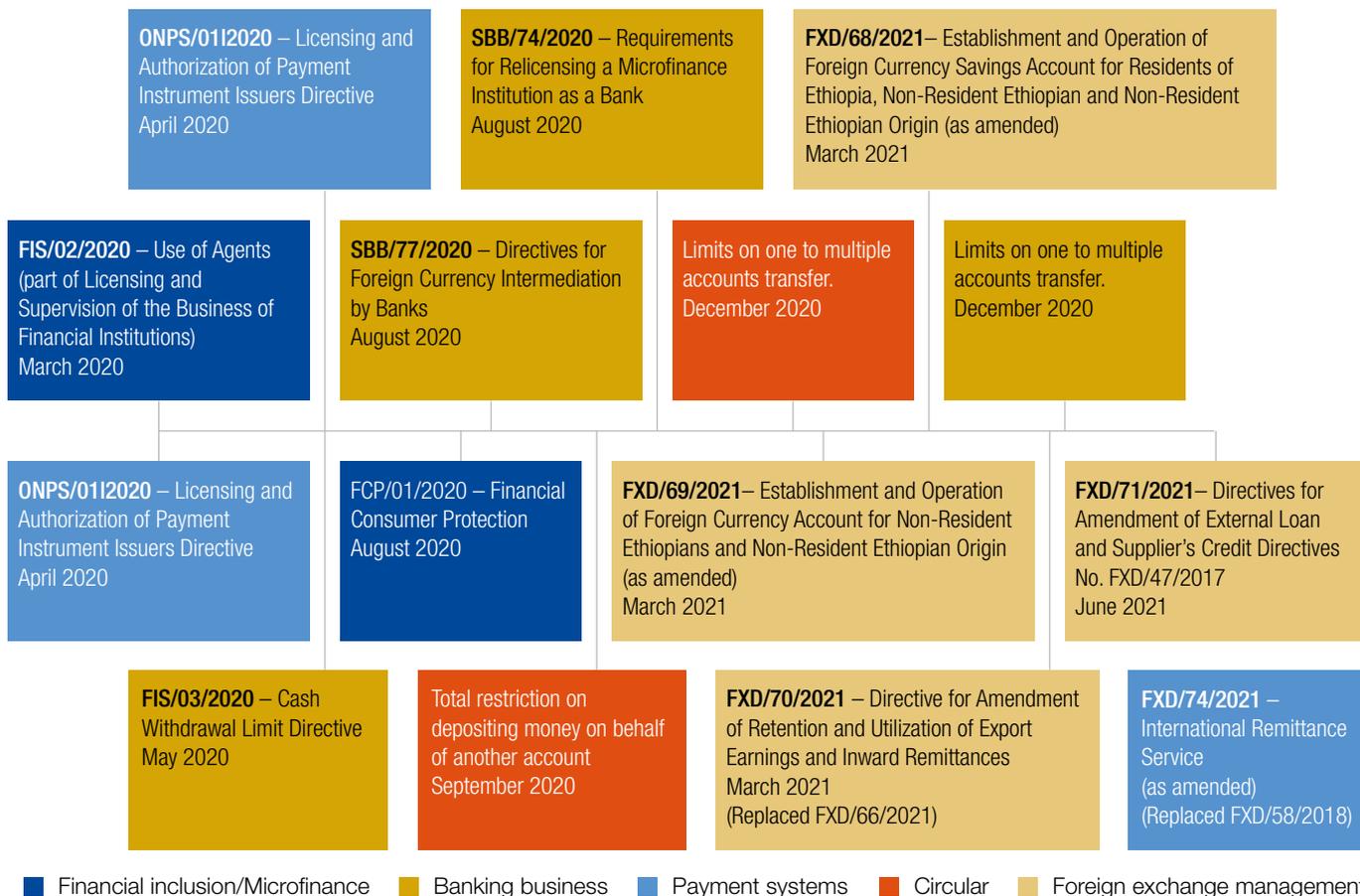


Table 9. Regulatory reforms and implications for remittances

Regulation	Targeted FSPs	Key provisions	Implications for remittances
Payment Instrument Issuers Directive <u>ONPS/01/2020</u>	Non-bank financial service providers	Makes provision for financial and non-financial institutions to be eligible for licensing as payment instrument issuers, whether as state owned (government) or private sector. Permits offering the below in partnership with regulated FSP: – Based on written approval of the NBE, a licensed payment instrument issuer under full responsibility of and written outsourcing agreement with a regulated financial institution and pension funds, may be allowed to provide micro-saving products; micro-credit products; micro-insurance products; or pension products. Regulation does not make direct reference to cross-border remittance services.	– Stakeholder feedback is that non-bank providers – MNOs and fintechs – can offer cross-border remittances and terminate directly via digital channels, such as mobile money, as is the case with TeleBirr and EthioPay’s mobile money service that also offers cross-border remittances. Distribution not limited to bank branches – Remittance-linked financial services can be layered. Note: Non-bank FSPs will still need banks for clearing and settlement. Regulation does not make direct reference to cross-border remittance services.
Payment System Operators Directive <u>ONPS/02/2020</u>		Enables new technology players to offer payment switch, ATM, POS and online payment gateway operators’ services and be directly licensed by the NBE – Only one National Switch permitted (EthSwitch) for processing card, retail payments and transfers, others can be switch operators. – Rigorous requirements for shareholders, for governance structure, business operations, and for paid-up capital, which ranges by license type from ETB 1–20 million. – Not open to foreign shareholders.	Does not mention international remittance service processes, such as cross-border clearing and settlement. Worth consulting further on its implications to cross-border remittance. Regulation does not make direct reference to cross-border remittance services.
Foreign Exchange <u>FX/70/2021</u>	Banks	Inward remittance recipients allowed to only maintain 45 per cent of amount sent in their foreign currency accounts, the rest has to be converted to birr at prevailing exchange rates.	No adverse implications for cross-border remittances sent for family upkeep.
Consumer Protection Directive <u>FCP/01/2020</u>	FSPs	Requirement for transparency – full disclosure on features, costs, risks, obligations, data protection, complaints handling mechanism, fair contractual terms, reasonable fees and charges including pricing display.	Creates a safer environment for conducting cross-border transactions.
FXD/69/2021 Establishment and Operation of Foreign Currency Account for Non-Resident Ethiopians and Non-Resident Ethiopian Origin (as amended)	Non-resident Ethiopians, Non-resident Ethiopian origin and diaspora international remittance service provider	Foreign currency account can be opened by any of the categories of: – Non-resident Ethiopians – Non-resident Ethiopian origin – Diaspora international remittance service provider (DIRSP) (businesses registered and licensed in a foreign country, owned by non-resident foreign nationals of Ethiopian origin or non-resident Ethiopians) can now offer remittance services. Accounts can be opened as: – Fixed or time deposit. – Current account. – Savings account (non-repatriable ETB account). DIRSP can open and retain only 45% from the currency inflow fund and utilize the fund as per the existing “Retention and Utilization of Export Earnings and Inward Remittance” directive.	The regulations now allow businesses that are registered and licenced in a foreign country, and owned by non-resident foreign nationals of Ethiopian origin, as well as non-resident Ethiopians, to provide money transfer services. This is important as some key corridors can be dominated by businesses that meet these criteria. Introduces two new types of accounts so encourages more remittances. DIRSPs can now access currency accounts even though they can only retain 45 percent of the funds in foreign currency (the rest must be converted to ETB). – 23 Banks are now offering the accounts. – Nearly 30,000 had been opened by June 2022. Over US\$86 million were deposited by June 2022.

Regulation	Targeted FSPs	Key provisions	Implications for remittances
FXD/74/2021 International Remittance Service (as amended)	Bank, Ethiopian Postal Service and Payment Instrument Issuer	Bank, Ethiopian Postal Service and Payment Instrument Issuer to partner with international remittance services for international inward remittances. – API can be used for integration with International Remittance Service Provider (IRSP). – Prior approval from National Bank required. – Must generate foreign currency inflow for Ethiopia. – Exclusivity clauses are banned.	Means that non-banks can offer inward remittances (but must be either the Ethiopian Postal Service or and payment instrument issuer). This is an improvement, but is difficult for new businesses to access (as they must be an existing licence holder in Ethiopia. This requires a minimum paid-up capital of ETB 50 million – approx. US\$1 million – in-cash, which must be held in safeguarding bank account).

Ethiopia's foreign exchange restrictions contribute to the use of informal remittance channels, but the government is working to curtail this.

- Ethiopia is a net receiver of imports, which often results in a shortage of foreign exchange. The government has attempted to curtail this by putting restrictions on what can be imported, and specifically on sending money out of Ethiopia. There is a strict waiting list system to allocate FX funds based on NBE's priority items.
- This FX shortage has led to usage of the parallel market, which has better exchange rates than the formal one. Informal operators offer attractive rates to buy foreign currencies from inbound remitters knowing that they can sell them for a premium to importers. It is believed that the black market rate offers a 10–15 per cent premium on the formal rate.
- The NBE follows a closed capital account policy with the aim of maintaining stability of the economy because of its shortage of foreign exchange in the economy. The NBE issues fixed foreign exchange rates and buys all foreign currency. Money cannot be sent out of Ethiopia with a few exceptions, which do not include remittances. US\$ is the currency most often sent as remittances to Ethiopia, but the money must be paid out in birr, although it can be held in a domiciliary account, a foreign currency account, provided these accounts have a maximum and minimum balance limit.
- Banks have mobilized FX mainly through “participation in international money transfer networks that, collectively, provide close to US\$6 billion in annual foreign exchange earnings to Ethiopia, through IMTOs such as Western Union, MoneyGram, Dahabshiil, Kaah, Transfast, WorldRemit, Xpress Money, and several others” (Cepheus, 2019).
- Recent regulations have attempted to address these shortages but others have been created to clamp down on potentially illicit finance activities, which would likely affect the operations of informal remittances service providers as they are cash and transaction-heavy businesses.

Table 10. Attempts to encourage formal transfers against illicit finance

Attempts to curtail illicit finance	Attempts to encourage formal foreign exchange inflow
<p>Daily and monthly cash withdrawal limits were introduced by the NBE– ETB 200,000 (US\$5,900) for individuals and ETB 300,000 (US\$8,850) for businesses. ETB 1.5 million (US\$29,000) monthly for individuals and ETB 2.5 million (US\$73,000) for businesses. Any transaction above that must be made via cheque or customer payment order. The NBE governor explained that the new policy would only be of concern for people engaged in illegal activities (Borkena, 2020).</p>	<p>In November 2020, the NBE issued a directive allowing resident and non-resident Ethiopian nationals, resident foreigners, and the Ethiopian diaspora to open foreign currency savings accounts. The motivations for this are cited in the preamble: to encourage the inflow of foreign exchange through formal channels, support the country's foreign exchange reserve, ease balance of payment needs, and generally encourage saving and investments. Prior to this, non-residents could only open foreign currency accounts that were fixed deposit, current or non-repatriable birr accounts.</p>

Attempts to curtail illicit finance	Attempts to encourage formal foreign exchange inflow
<p>After issuing new currency notes in September 2020, the NBE imposed a total restriction on depositing money on behalf of someone else (Capital Ethiopia, 2021).</p>	<p>Effective August 2020, Ethiopian banks can borrow foreign currency and extend it as credit to foreign currency generating businesses in Ethiopia.</p>
<p>In January 2021, the NBE limited account-to-account transactions to five per week, citing suspicious activities of some individuals who were sending almost 5,000 transactions per month. These types of limits likely hinder informal remittance operators, but they will also be inconvenient for the average person. Bills and salary payments are exempt from the restrictions and banks have the liberty to grant further exceptions on a case-by-case basis.</p>	<p>In March 2021, the NBE updated its directive on what percentage of foreign currency earnings can be held in a retention account. The NBE must now yield 30 per cent of the earnings to commercial banks; and sell 55 per cent of what is left to the bank at the rate for that day; they can deposit 45 per cent of the earnings in a retention account for an indefinite amount of time. The NBE lifted the restrictions on what the money in the retention accounts can be used for, as long as account holders have the proper business licence to engage in import and export activities.</p>

The AML/CFT legal framework has been weak, although there are concerted efforts to strengthen it. Ethiopia remains on the Eastern and Southern Africa Anti-Money Laundering Group's (ESAAMLG) enhanced follow-up status.

- As an inbound remittance destination, the only legal cross-border flow of funds through the formal sector relevant to overall risk are inbound money transfers, predominantly from the Ethiopian diaspora to their families in Ethiopia, which is presumed to lessen risk.
- Given the high degree of cash transactions, and the widespread presence of unlicensed money exchange providers, it seems more likely that terrorist-related financing transactions are not made through the formal financial sector.
- Ethiopia is a member of ESAAMLG and therefore adopts the Financial Action Task Force's (FATF) risk-based approach guidelines, which entail conducting national risk assessments, identifying risk levels then effecting actions to mitigate them.
- A national risk assessment conducted in 2016 identified illegal *hawala* as one of the AML/CFT threats alongside smuggling of contraband goods and migrant trafficking.
- The country also has a risk-based framework, which includes customer due diligence through the recently enacted tiered KYC structure contained in the Payment System Operators Directive (suspicious transaction monitoring and reporting).

Regulations governing AML/CFT have undergone reforms and include:

- 2009 AML/CFT regulation 171/2009 providing for the establishment of Financial Intelligence Centre based on FATF recommendations;
- 2013 Proclamation No. 780/2013 Prevention and Suppression of Money Laundering and Financing of Terrorism, mainly criminalizing AML/CFT acts;
- 2014 Financing of Terrorism Compliance directives 01/2014 for financial service providers compliance framework;
- 2015 National AML/CFT Policy (FIC, 2021); and
- since 2010, Ethiopia has been on the FATF's watch list for strategic deficiencies: these include Financial Intelligence Centre (FIC) not providing guidance to reporting entities on money laundering trends and techniques or guidelines for financial institutions (FIs) to assist in applying AML/CFT measures apart from guidance on detection of suspicion transactions for FIs. Ethiopia partially effected these requirements and will remain in enhanced follow-up status, which included continuing to inform the ESAAMLG of the progress made in improving the implementation of its AML/CFT measures (ESAAMLG, 2021).

PRIORITY POLICY ACTIONS

3.1 There is no centralized location for remittances regulation. Rather, regulation pertaining to remittances is scattered across different directives, including foreign exchange. It would be useful to stakeholders, especially newer and smaller players, to have a central document to reference all remittances related regulation. This does not necessarily mean creating new regulation (although there is some need for this) but rather, having all the pertinent parts of other regulations in one place.

3.2 Current remittance regulation is unclear about how remittances can be terminated. Clarification is required on which channels are available beyond bank accounts and cash-out and through what means.

3.3 Review and update current remittance regulations that have been in use for over twelve years – to align to other related regulatory and market changes within the financial sector; specifically, there is a need to link the payment issuer regulation with an updated remittances regulation that allows digital channels and other non-bank providers to cash out remittances.

3.4 Stakeholders recommend restructuring the regulatory framework to ensure that key regulations are enacted as law, as currently there is high frequency of regulatory changes communicated through circulars and directives with limited awareness, education and consideration for impact for PSPs and customers.

3.5 There is a need for the development of long-term regulations that cater to future innovations in the market, as opposed to the current practice of reactionary regulations. The development of these regulations should be shared with market players, as current regulations are somewhat arbitrary and can cause confusion.

3.6 Bilateral agreements with other countries so that other forms of ID, besides those that reflect immigration status, can be used to send remittances.

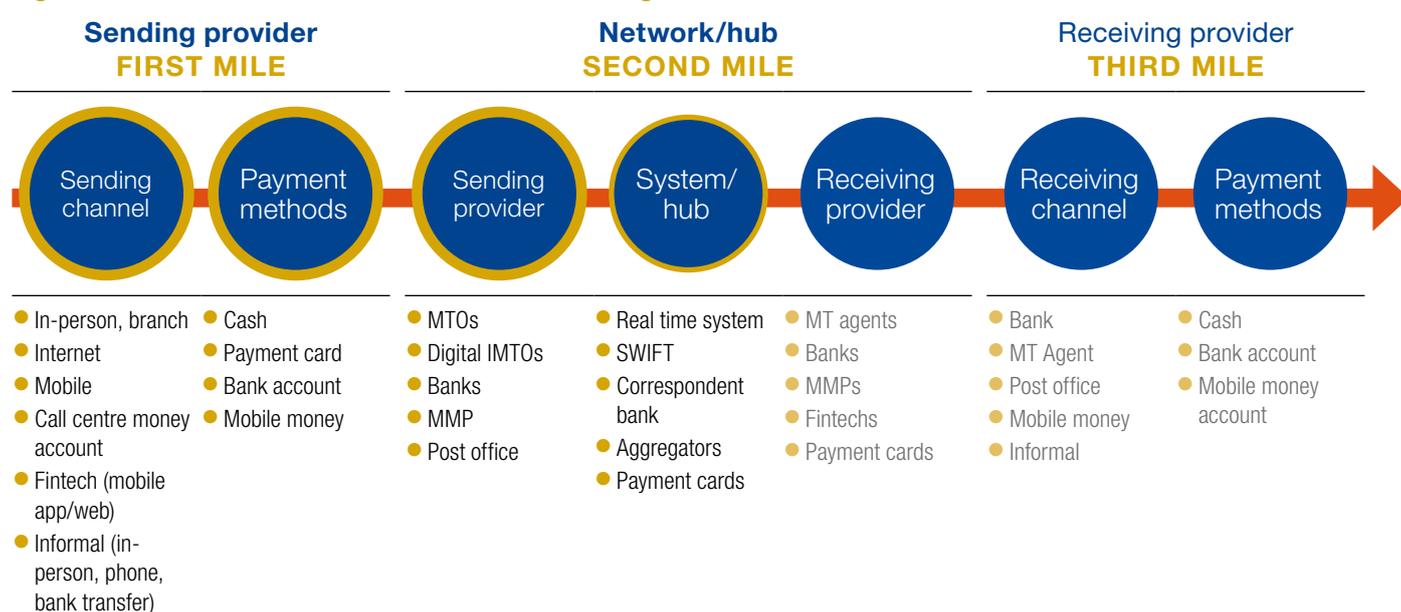
3.7 Strengthening FIC's capacity to issue and strengthen oversight for AML/CFT through a bottom-up approach, supporting financial institutions to implement robust AML/CFT mechanisms.

4. Remittance market structure

This section looks at the remittance market structure, covering: the cross-border remittance value chain; market structure and competition in the main send markets; average costs and operators in key corridors; and the pay-out networks in Ethiopia.

There are several methods to send remittances to Ethiopia. However, all the receive means, except the informal ones, are channelled through the banking system, including mobile money.

Figure 16. The remittance value chain, on the sending side



Formal cross-border remittances to Ethiopia are mostly sent via MTOs in cash, bank accounts and online card-based services. Internet payment service providers can only partner with banks as pay-out partners. Annex 2 includes a list of banks, along with their number of branches, agents and IMTO partners.

The choice of send channels is largely dependent on corridor, cost, speed, reliability, migrant profile (including immigration status), income and literacy levels.

The send market to Ethiopia is diverse and has a variety of providers, mostly traditional and online MTOs, which must partner with commercial banks.

Table 11. Inbound remittance service providers

North America and Europe (inbound)	Intra-Africa (inbound)	Near East (inbound)
<ul style="list-style-type: none"> – Traditional IMTOs including Western Union, MoneyGram, Xpress Money, Ria – Online and app-based IMTOs including WorldRemit and Remitty, PassTo, Global WebPay, etc. – Bank using SWIFT – Informal exchange market 	<ul style="list-style-type: none"> – Banks – Traditional MTOs – Online and app-based services – Informal exchange market 	<ul style="list-style-type: none"> – Regional IMTOs Xpress Money, Amal Express, – Corridor specialists, e.g. Kuwait Al Mulla Exchange – Informal black market is prevalent in this region

Between 29 and 78 per cent of inbound remittances are estimated to flow via informal channels. The parallel currency market is considered highly competitive and has proven difficult to eradicate

- The NBE estimates almost 30 per cent of private individual transfers pass through informal channels, while the World Bank estimates that figure to be more than double at 78 per cent. The rest pass through formal channels. Informal channels are attractive because of the preferable foreign exchange rates offered in the parallel market. Recent reforms aim at standardizing the two rates through improved efficiency of the foreign exchange market to redirect flows to official channels.
- This has proved to be a challenge, given that exchange rates still differ: US\$1 converts to an estimated ETB 42 in the formal market and over ETB 50 in the black market, a difference of over 15 per cent.
- According to stakeholders interviewed, the Commercial Bank of Ethiopia attempted to set up formal operations in a known black-market location but was unable to compete favourably and closed the branch shortly thereafter. This demonstrates how deeply entrenched black market practices are and customer preference for these versus formal foreign exchange services.
- The high usage of informality could be attributed to the costs associated with the formal market, which is constrained by FX restrictions. Foreign exchange policies, although not aimed at remittance market, significantly impact remittance inflows.
- Anecdotal evidence indicates that large informal flows from African and Near Eastern countries from the estimated 750,000 undocumented Ethiopians in Saudi Arabia and around 250,000 undocumented Ethiopians living in South Africa. Given the money transfer laws that only allow documented migrants access to formal money transfer services in those countries, informality remains the only available channel for many (stakeholder interviews, 2017; CENFRI, 2018).
- The government has instituted strict measures to control and contain the informal market, including strict fines for informal channel money traders.

- Of the corridors surveyed, the European corridors have the highest cost. Germany was the most expensive at 8.9 per cent of the send amount. The fee and FX margin are almost the same at averages of 4.9 per cent and 4.1 per cent, respectively.
- The United States and Saudi Arabia charge the lowest foreign exchange rates and their fees are on par with those of Italy. The dollar is the primary foreign currency flowing into Ethiopia.
- It is significantly cheaper to send money to Ethiopia over the internet versus going to an agent (bank or MTO). Services that had both agent and internet options were the cheapest at 3.1 per cent and post office services surveyed in Italy and Germany were among the most expensive at an average of 10.3 per cent of the send amount.
- The cheapest receive methods in Ethiopia were services that offered a variety of pay out options (cash, bank account or mobile wallet) at 5.9 per cent, followed by bank-accounts at 6 per cent of the send amount. Cash was the most expensive receive method at 7.6 per cent, followed by mobile wallet at 7.1 per cent.



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The average cost of sending to Ethiopia is 6.3 per cent of the send amount, which is lower than the global average of 6.5 per cent. However, the prevalence of cash and the informal sector keep costs high.

Figure 17. Cost of sending the equivalent of US\$200 to Ethiopia by corridor, Q4 2020

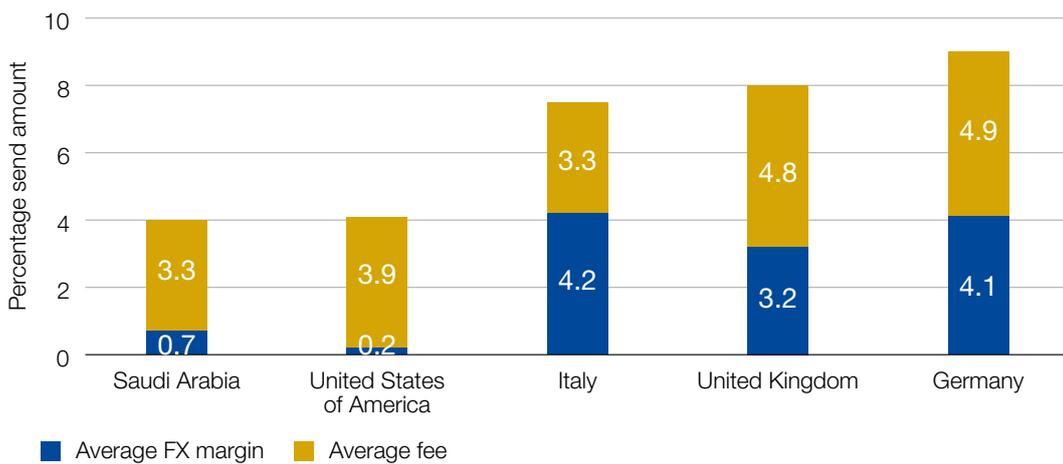
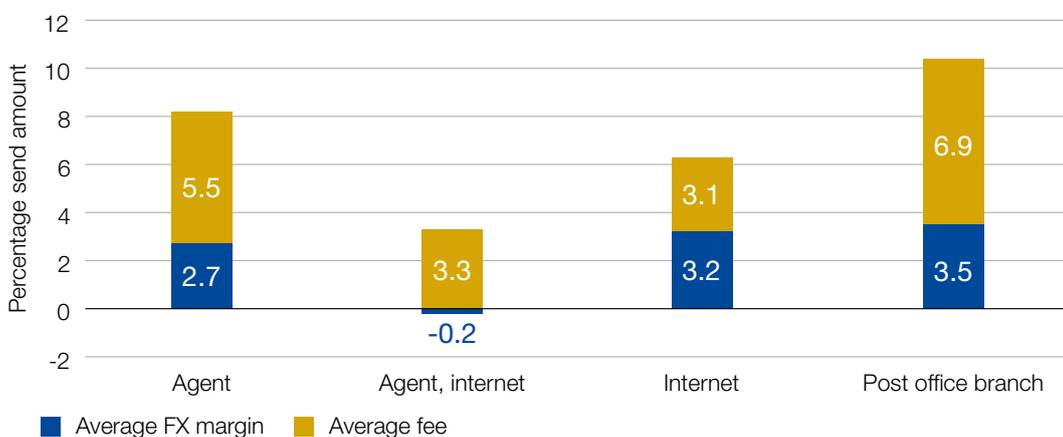
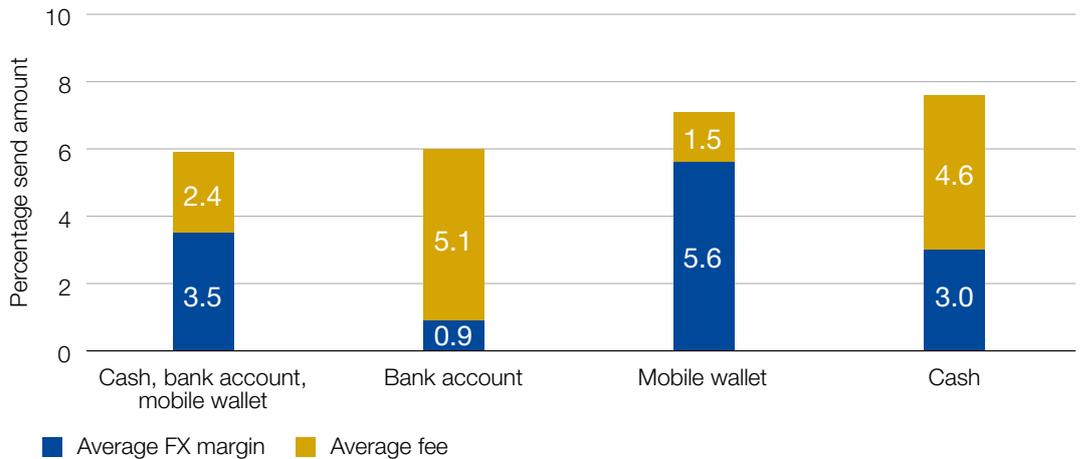


Figure 18. Cost of sending the equivalent of US\$200 to Ethiopia by send location, Q4 2020 (only for Saudi Arabia, United States, Italy, United Kingdom and Germany corridors)



Note: Post office data only includes Italy and Germany corridors.

Figure 19. Cost of Sending the equivalent of US\$200 to Ethiopia by receive method, Q4 2020 (only for Saudi Arabia, United States, Italy, United Kingdom and Germany corridors)



Germany hosts a variety of Ethiopian immigrants and diaspora members, but remittance costs are high at 8.9 per cent of the send amount. There are no corridor specialists in the market.

- Average cost of sending from Germany to Ethiopia is 8.9 per cent of the send amount, which is the highest of the five corridors surveyed and charges the second highest FX margin at 4.1 per cent of the cost.
- In 2020, Ethiopians in Germany (19,241, according to UNDESA, 2019) sent US\$61.5 million according to the NBE. It is the highest send market from the EU and the eighth largest send market globally.

Ethiopian community in Germany

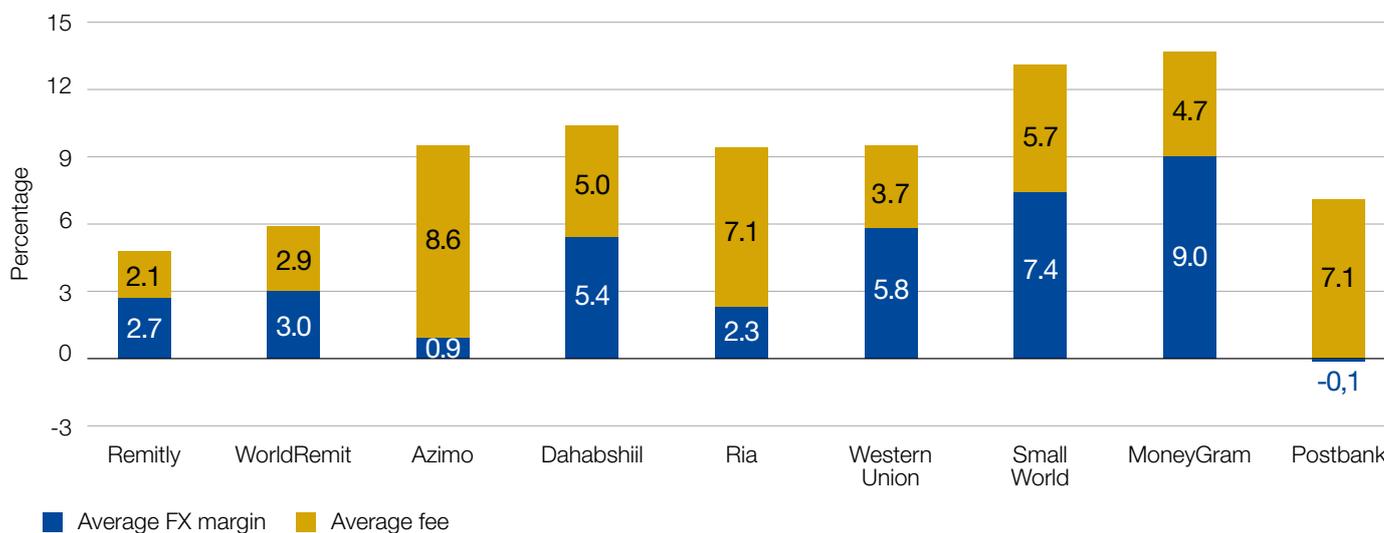
- The Ethiopian community in Germany has a dedicated website, established in 2005 and written predominantly in Amharic with information on events, news, and other pertinent information for and about the Ethiopian community in Germany.
- Ethiopians have moved to Germany for a variety of reasons. Some are economic migrants and many are refugees due to internal and regional conflicts and environmental causes. According to UNHCR, there were 96,394 Ethiopian refugees and 107,047 asylum seekers registered globally, many of whom have found their way to Europe.
- The German government has recently been criticized for rigorously deporting Ethiopian asylum seekers, some of whom have been in the country since 2009.
- The community appears to be politically active, engaged with the Ethiopian government and some are already second or third generation. There is a history of Ethiopians studying in Germany, with a professional association in Ethiopia founded in 1997, specifically dedicated to their needs. This points to a long history of well-educated Ethiopians living in Germany.

Types of remittance operators

- Remittance options from Germany to Ethiopia are quite standard with no corridor specialists catering specifically to this community. One regional specialist, Dahabshiil, is present, but its price is not particularly competitive at 10.4 per cent of the send amount.

- Digital operators offer the lowest fees at an average of 6.7 per cent of the send amount.
- Traditional senders are the highest, charging an average of 11.4 per cent of the send amount.
- Postbank charges 7 per cent of the send amount, including a 0.1 per cent exchange rate. Postbank offers its customers cross-border transfers using their mobile banking app or telephone banking, over the Internet or at a branch.

Figure 20. Average cost of sending the equivalent of US\$200 from Germany to Ethiopia by operator, Q4 2020



Source: UNDESA (2019).

With a long history of Ethiopians in Italy, Italy offers some of the most competitive prices in the European Union; however, costs remain high, especially FX rates.

- The average cost of sending from Italy to Ethiopia is 7.5 per cent of the send amount, which is the third highest of the five corridors surveyed. However, Italy charges the highest FX margin of all countries, at 4.2 per cent of the send amount. Italy also offers the lowest average fee in Europe at 3.3 per cent.
- According to UNDESA (2019), there are 29,662 Ethiopians in Italy, of whom 29,662 sent US\$40.6 million in 2020 according to the NBE. This is the second largest send corridor from the EU and the ninth largest globally.

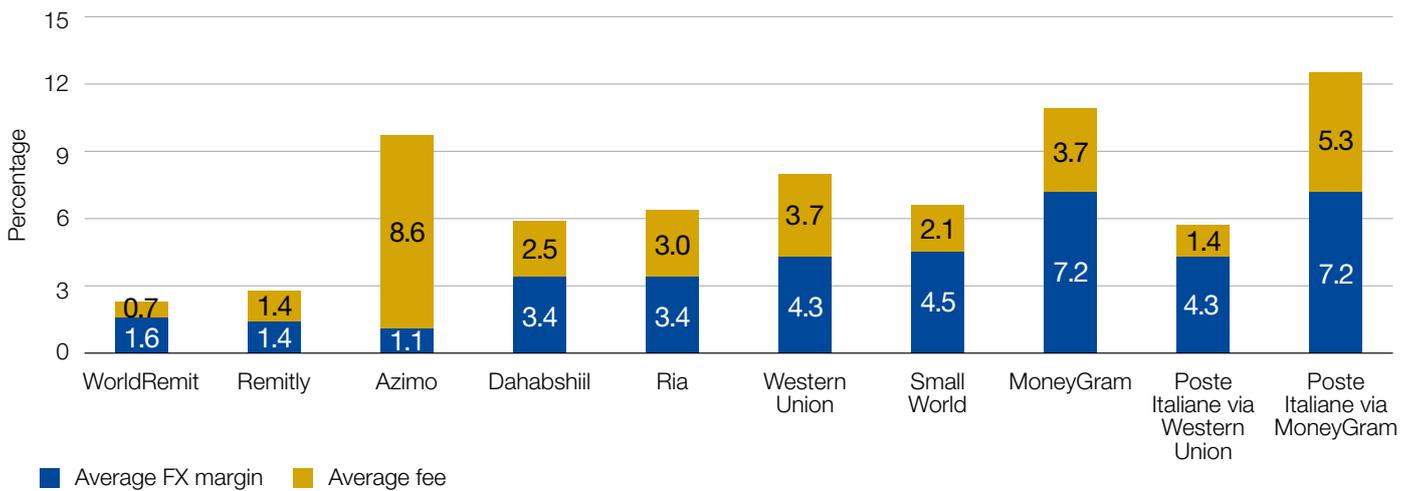
Types of immigrants in Italy

- Ethiopians have a long history in Italy, dating back to the Italian invasion of Ethiopia in 1936 when thousands of Ethiopians were exiled to Italy. Today, there are many Italians of Ethiopian origin who would no longer be identified in the country's demographic statistics as being Ethiopian.
- News on Ethiopians in Italy is scarce but based on the history and general patterns exhibited to Europe, there is a wide mix of asylum seekers, students, expatriates, and second and third generation Ethiopians.
- The community is organized and predominantly in Rome where they continue to be active and vocal about affairs back in Ethiopia.

Types of remittance operators

- Despite the long historical connections, there are no money transfer operators specializing in the Italy to Ethiopia corridor.
- Digital senders offer a competitive average cost of 4.9 per cent of the send amount.
- The regional specialist Dahabshiil offers costs of 5.9 per cent
- Traditional senders offer an average cost of 8 per cent
- Poste Italiane offers a cost of 9.1 per cent but is particularly expensive via MoneyGram, at 12.5 per cent, making it the most expensive in the corridor. The cost via Western Union is 5.7 per cent.

Figure 21. Average cost of sending the equivalent of US\$200 from Italy to Ethiopia by operator, Q4 2020



Source: UNDESA (2019).

Over 90 per cent of remittances are collected as cash pickups, largely due to limited innovation on the receive side and a prevalent cash culture. However, recent developments could begin to change the market.

- A few local and Ethiopian-owned MTOs are present in the market, including Blue Nile Money Transfer and Bole Atlantic, although their online presence is weak and their reach unknown.
- There is stiff competition among RSPs on remittance cash-out: banks are not allowed to compete on exchange rate that is set by the NBE.
- Banks encourage SWIFT transfers by offering rewards and promos for customers to use their banks to cash out.
- Over 90 per cent of cross-border remittances sent to Ethiopia via formal channels are collected as cash pickups, a few are terminated into bank accounts and via mobile money (through partnerships with banks) (stakeholder interviews, May 2021).

- Remittances must be cashed out in local currency. Although recommendations not to charge cash out fees exist, implementation is mixed, with some agents charging while others do not (Alemayehu, 2011).
- Despite its prevalence, there is limited innovation in remittance cash-out options. Banks do not face much competition from other non-bank PSPs and therefore do not drive innovation in remittance cash outs. This is largely driven by previous regulations and market structures.
- Recent developments in the market, including regulations that are opening up the financial environment and some promising partnerships, are anticipated to bring more innovation to the Ethiopian remittance market.
- In May 2021, Dashen Bank partnered with Africa's leading fintech Flutterwave to enable remittance senders to Ethiopia to send money through Dashen Bank's mobile wallet, Amole, bank accounts and at over 2,500 agent locations, including post offices. It is important to note that this does not imply that agents can cash out remittances but can provide cash-out for remittances terminated into a Dashen bank account (Flutterwave, 2021).
- In August 2020, Lion Bank partnered with Thunes, a well-known pan-African aggregator to offer a cash pick-up service (Thunes, 2020).
- While the new mobile money regulations do not yet stipulate the allowance of cross-border remittance termination, many stakeholders feel this may be on the horizon.

PRIORITY POLICY ACTIONS

4.1 Encourage senders and receivers to use end-to-end digital remittance channels such as mobile money, account-based and card termination options in order to further leverage opportunities to drive financial inclusion and reduce costs.

4.2 Support for non-bank providers, especially smaller fintechs through mutual partnerships to offer services in this market, therefore increasing competition and quality of service delivery.

4.3 Complement the above efforts through targeted customer awareness and financial education, both on the send and receive sides.

5. Financial services for remittance users

Aside from being a movement of money from a sending country to a receiving country, remittances can also be a catalyst for financial inclusion. This section looks at remittance-linked products and financial services offered for the diaspora in Ethiopia.

The range of remittance-linked products already in the market or in the pipeline are few and mostly sender-focused, but even these are limited, just being piloted or not necessarily about remittances.

- Diaspora bank accounts – In November 2020 the NBE issued the directive FXD/68/2020 – Establishment and Operation of Foreign Currency savings account for residents of Ethiopia, non-resident Ethiopians and non-residents of Ethiopian origin, to encourage the diaspora and local residents to open a savings account denominated in a foreign currency.
- Currently, all licensed banks in Ethiopia offer diaspora banking services:
 - with currency options, including US\$, GBP and EUR;
 - that can be interest-free or interest-bearing; interest rates are calculated in foreign currency but paid in local currency;
 - with permissible transaction types outlined in the regulation that include: share purchase from financial institutions, medical and travel expenses abroad for self and family, etc.; and
 - with withdrawal in Ethiopia only allowed in birr.
- An individual may open a diaspora current account in only one of the domestic banks, whereas they may open fixed deposit accounts in more than one bank.
- Diaspora accounts are well known among the Ethiopian diaspora, but they are not really used for remittance purposes. Ethiopia's largest commercial bank has over 15,000 customers and every commercial bank offers these types of account. According to stakeholders, they are primarily used for import and export purposes. In order to protect local industries, Ethiopia has many rules around what can be imported. Diaspora accounts holding foreign currency are one of the ways to access imports, but this is still only on certain government approved merchandise.
- The directive further restricts usage of funds in diaspora accounts to only import items such as pharmaceuticals, agricultural inputs and machinery that are considered a priority (The Report Ethiopia, 2021).
- The same directive required diaspora account holders to convert 30 per cent of their deposit into birr at the prevailing buying exchange rate. This was amended upwards to 45 per cent and spending restrictions relaxed (stakeholder interviews, 2021).
- Stakeholder interviews indicate that diaspora members predominately use their accounts for import/export businesses, as opposed to using it like a regular bank account with which they could pay bills, invest, etc., as seen in other countries.

MamaPays is powered by BelCash in partnership with Visa, Bank of Abyssinia and Somali Microfinance. It enables micro-remittances suitable for bill and utility payments, with plans to roll it out in Guinea and Nigeria. It incentivizes diaspora to use the platform by offering credit toward purchases on BelCash's online shopping platform that supports local Ethiopian businesses.

Figure 22. Bill and utility payment solution



Table 11. Diaspora products and providers

Product type and segment focus	Financial service providers	Key features	Eligibility and requirements
Diaspora accounts: <ul style="list-style-type: none"> – Fixed deposit – Current account – Non-repatriable birr – Diaspora mortgage account – Diaspora interest-free account 	All commercial banks in Ethiopia	Fixed deposit: <ul style="list-style-type: none"> – Deposit certificate is issued in the depositor's name – The minimum account opening deposit required is US\$5,000 Current account: <ul style="list-style-type: none"> – Regular bank account where deposits or withdrawals can be made at any time – The minimum deposit to open this type of account is US\$100 – Diaspora mortgage account and diaspora interest-free accounts also available Non-repatriable birr: <ul style="list-style-type: none"> – Savings deposit that can only be used for the purpose of local payments, interest payable to account is double that of other account types 	For Ethiopians living abroad; non-resident foreign nationals of Ethiopian origin and Ethiopian nationals living and working abroad Requirements: <ul style="list-style-type: none"> – Resident ID and passport (for Ethiopian nationals living abroad) – Passport and yellow card, also known as Ethiopian origin ID (for foreign nationals of Ethiopian origin) – Work permit and authenticated employment contract
MamaPays Microremittance	BelCash, Visa, Bank of Abyssinia, Somali MicroFinance	Merchant generated pay bill order is sent to diaspora customers via mobile and they can settle via their Visa cards	<ul style="list-style-type: none"> – Ethiopian SIM card for beneficiary and basic to feature phone – Payer needs Visa or Mastercard and mobile phone
Diaspora Investments: <ul style="list-style-type: none"> – Government bonds 	Development Bank of Ethiopia and commissioned agents: CBE and regional MFIs	Government guaranteed bonds that support specific projects; currently selling bonds for the building of the Grand Ethiopian Renaissance Dam Interest-bearing and non-interest-bearing bond options available	Ethiopians in Ethiopia and those living abroad; foreign nationals of Ethiopian origin
Diaspora Donations: <ul style="list-style-type: none"> – Ethiopia Diaspora Trust Fund 	Not known	EDTF, a non-profit organization run by volunteers and working in collaboration with the Ethiopian government. Fund for social development in Ethiopia. As of August 2020, over US\$6.82 million was raised from 26,000 donors across 93 countries	Ethiopians living abroad; Non-resident foreign nationals of Ethiopian origin and Ethiopian nationals living and working abroad

High demand for foreign currency drives diaspora focused products; however, this has resulted in a limited focus on financial inclusion for remittance recipients.

PRIORITY POLICY ACTION

5.1 Leverage opportunities to offer services targeting remittance beneficiaries such as savings, lending, insurance, pensions, social security, etc. These work optimally with account-based remittance cash-out options. Special attention should be paid to the needs of women beneficiaries to ensure the products are fit for purpose and encourage the financial inclusion of women.

5.2 Capitalize on the work done on diaspora accounts, both currency and savings accounts, to offer value added services for diaspora members wanting to invest in Ethiopia or take care of their families using the money deposited in their foreign currency accounts.

6. Stakeholders and coordination

Various multilateral players are active in the different parts of the financial environment.

Table 12. Stakeholders and focus areas

Stakeholder	Thematic focus area
IMF	Collaborating with the NBE to update and automate their international transaction reporting system to facilitate impact analysis of various policies enacted and to establish if they are having the desired effect.
UNCDF	Providing technical assistance to the NBE on policy reforms to improve remittances to the market, including facilitating termination of remittances into mobile wallets. Assisting the NBE in developing tools for operationalizing the new directives as well as advising in planning and executing onsite and offsite tasks. Recently announced launch of a new digital finance programme in Ethiopia, which has an explicit focus of enhancing the financial resilience of women and youth in particular.
UNCDF/Intergovernmental Authority on Development (IGAD)	Partnership to harmonize remittance policies across the IGAD countries of Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda.
BMGF	Deploying theory of change in the financial sector on three components: i) policy and regulation; ii) infrastructure: ID, payment, cash-in/cash-out; and iii) private sector engagement.
BTCA	Supports shift to digital payments, developed the National Digital Payment Strategy
IFAD	Review and development of Phase II Financial Inclusion Strategy; in depth assessment of the national remittance market and main EU corridors.
World Bank IFC	IFC partners with FSPs to drive digital transformation.
FCDO FSD Africa	FCDO is funding FSD Africa to set up an FSD Ethiopia focused in driving financial inclusion through market development.
GIZ-WIDU	Established a mechanism for investment matching of diaspora finances.
GIZ	Set up and operates GIZ geldtransfair.de a price comparison website, which includes Ethiopia as a destination country.

PRIORITY POLICY ACTIONS

6.1 There is a need for stakeholder coordination across the country. Currently, there are several ongoing projects from various international donors that intersect in various ways. However, there is no coordinated oversight on these projects and it would help stakeholders, especially those in the private sector, to have a central forum providing information on forthcoming regulations and how to comply with current ones.

7. Priority policy actions

Migration and remittances

1.1 Update data available on both formal and informal remittances and share them in a more accessible manner.

1.1.1 Update data collection and preparation processes to BPM6. These include having estimates for informal and in-kind remittances.

1.1.2 Improved coordination of data sharing so World Bank and IMF data is derived from NBE inflows data.

1.1.3 Continue to improve data collection mechanisms so that they can be automated and collected from banks, MTOs, MFIs and other financial actors to allow for cross-referencing as needed.

1.1.4 A representative household survey will be needed for more accurate informal remittance flow percentages.

1.1.5 Publicly share the remittances inflows numbers that are available in an easier to consume manner, including disaggregated at corridor level. Currently only total inflows are shared as part of the quarterly reports.

1.2 Ensure policies implemented during COVID-19 are maintained, in order to further encourage financial inclusion, use of digital payments and reduce the prevalence of cash.

Financial environment

2.1 EthSwitch participation should not be compulsory as the country has other switches and EthSwitch turnaround time is extremely slow. This would also promote innovation and competition.

2.2 In driving adoption and usage, the NFIS Phase II and NDPS should ensure use cases are incorporated into their strategies, such as supporting remittance-based savings and loans that are attractive to new entrants into formal financial services. Special attention should be paid to the use cases for women and rural residents.

2.3 Support for national identification rollout, digital ID, electronic KYC and further access of national ID registry by bank and non-bank FSPs.

2.4 PSP support in the following areas:

2.4.1 Ramp up innovative touch points to cover the country cost effectively, such as innovative MNO agent models that are not reliant on bank branches (for example, the Green Connectivity model).

2.4.2 Provide technical assistance for the post office and selected MFIs to become super agents, as well as bank agents for cross-border remittance cash-out. A viable business model is also needed to ensure this is beneficial to all without any added costs to the customers.

2.4.3 Leveraging improved regulatory frameworks to provide technical assistance to bank and non-bank FSPs in order to develop innovative second generation use cases, including cross-border services through bilateral partnerships or cross-border payment aggregators.

2.4.4 Support for FSPs to adopt tiered KYC frameworks as stipulated in the directive to expand customer acquisition.

2.4.5 Further support in formalizing/improving the professionalism of SACCOs in order to expand the possibilities for financial inclusion.

2.4.6 More support and structure for smaller MFIs so they can access capital/loans and expand their offerings to customers.

2.5 Implement GIS mapping of access points to identify gaps and use a needs-based approach to extend distribution. This can be cross-referenced with household survey (recommendation 1) to create a business case and encourage banks and other FSPs to open branches in the locations with the highest need.

Regulatory environment

3.1 There is no centralized location for remittances regulation. Rather, regulation pertaining to remittances is scattered across different directives, including foreign exchange. It would be useful to stakeholders, especially newer and smaller players, to have a central document to reference all remittances related regulation. This does not necessarily mean creating new regulation (although there is some need for this) but rather, having all the pertinent parts of other regulations in one place.

3.2 Current remittance regulations are unclear about how remittances can be terminated. It should be clarified which channels are available beyond bank accounts and cash-out and through what means.

3.3 Review and update current remittance regulations that have been in use for over 12 years – to align with other related regulatory and market changes within the financial sector. Specifically, there is a need to link the payment issuer regulation with an updated remittances regulation that allows digital channels and other non-bank providers to cash out remittances.

3.4 Stakeholders recommend restructuring the regulatory framework to ensure that key regulations are enacted as law. Currently there is a high frequency of regulatory changes communicated through circulars and directives with limited awareness, education and consideration for impact for PSPs and customers.

3.5 There is a need for the development of long-term regulations that can cater to future innovations in the market, as opposed to the current practice of reactionary regulations. The development of these regulations should be shared with market players, as current regulations are somewhat arbitrary and can cause confusion.

3.6 Bilateral agreements with other countries should be forged so that other forms of ID, besides those that reflect immigration status, can be used to send remittances.

3.7 Strengthening the FIC's capacity to issue and strengthen oversight for AML/CFT through a bottom-up approach, supporting financial institutions to implement robust AML/CFT mechanisms.

Remittance market structure

4.1 Encourage senders and receivers to use end-to-end digital remittance channels such as mobile money, account based and card termination options in order to further leverage opportunities to drive financial inclusion and reduce costs.

4.2 Support for non-bank providers, especially smaller fintechs through mutual partnerships to offer services in this market, therefore increasing competition and quality of service delivery.

4.3 Complement the above efforts through targeted customer awareness and financial education targeting both send and receive sides.

Financial services for remittance users

5.1 Leverage opportunities to offer services targeting remittance beneficiaries such as savings, lending, insurance, pensions, social security, etc. These work optimally with account-based remittance cash-out options. Special attention should be paid to the needs of women beneficiaries to ensure the products are fit for their intended purpose and encourage the financial inclusion of women.

5.2 Capitalize on the work done on diaspora accounts, both currency and savings accounts, to offer value added services for diaspora members wanting to invest in Ethiopia or take care of their families using the money deposited in their foreign currency accounts.

Stakeholder coordination

6.1 Lead and organize stakeholder coordination across the country to harmonize the various ongoing projects from different international donors that intersect in various ways. Providing coordinated oversight on these projects would help stakeholders, especially those in the private sector, to have a central forum providing information on forthcoming regulations and how to comply with current ones.

ANNEX 1

BelCash's Financial Solutions

- Can be accessed via SMS, USSD, Telegram chat, an app, and interactive voice recording. However, every partner has their own channel; so that is four different USSD codes per bank, different telegram channels and different channels for getting customer support
- They also serve as a payment system provider as their API is available for integration into online shops: [HelloCash Developer Information – Integrate HelloCash in your business](#), which would allow online business to accept HelloCash payments
- Provided by a fintech called BelCash that offers a host of other digital services, including mobile health advice and access to energy and information: [BelCash Technology Solutions PLC](#)
- Somali MFI can pay out international remittances via HelloCash as Wagagen's sub-agent.

ANNEX 2

Remittance market participants in the banking sector

Bank name	Number of branches	Number of agents	IMTO partners
Dashen Bank	196	204	Dawrit Money, Ria, Dahabshiil, Western Union, Union Pay, MoneyGram, Flocash XpressMoney, EzREMIT
Bank of Oromia	420	1,193	MoneyGram, Western Union, Swift, Kaah, Amal Express, Ria, Transfast, Xpress Money, Dahabshiil, Small World, WorldRemit, Bakaal, Amana Express, HelloCash
Bank of Abyssinia	554	114	Dahabshiil, Kaah, Ria, MoneyGram, Transfast, Western Union
United Bank		12	Lari Exchange, Kaah, MoneyGram, Ria, Western Union, Dahabshiil, Small World, WorldRemit, Express Money
Awash Bank	536	27	Western Union, MoneyGram, Ria, EzRemit, Dahabshiil, Doha Bank, Send Exchange, Transfer Fast, WorldRemit, Dubai Remit, T&Y, Asgori
Wegagen Bank	335	–	Dahabshiil, Kaah Express, Amal Express, Western Union, Ria, MoneyGram, Tawakal Express, X-Press Money, Fast Pay, Osob, Transfast, Olympic Express, I-Cash
NIB International Bank	130	–	Hodan Global, Ria, Golden Money Transfer, Xpress Money, Dahabshiil, WorldRemit, Transfast, Western Union, MoneyGram
Commercial Bank of Ethiopia	332	450	MoneyGram, Western Union, WorldRemit, AME Asgori Money Express, Kaah Money, Bole Atlantic, Transfast, Lari Exchange, Zenje, Ary Speed Remit, Bakaal, Cash Express, Golden Money, Tawakal Express Money, EX IRMAAN Exchange, Paco Money Services Transfer
Development Bank of Ethiopia	116	–	–
Bunna International Bank	8	–	MoneyGram, Western Union, Dahabshiil, Kaah, Juba Express, Ria, iCash, Cash Express, Transfast, Express Money
Zemen	1	–	Transfast
Berhan International Bank	152	57	MoneyGram, Western Union, Dahabshiil, Ria, Taran Express Money Transfer, Transfast
Abay Bank	260	299	Transfast, Shift, Dahabshiil, Western Union, Uremit, Xpress Money
Addis International Bank	96	–	Western Union, Xpress Money, Dahabshiil, Ria
Debub Bank	123	–	Western Union, Xpress Money, Dahabshiil, Ria, Transfast, Shift, MoneyGram
Enat Bank	80	1,664	Western Union, Xpress Money, Dahabshiil, Ria, Transfast, Shift, MoneyGram, WorldRemit
Lion Bank	276	–	MoneyGram, Hello Cash

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About the authors



International Fund for Agricultural Development (IFAD)

IFAD is a specialized agency of the United Nations and an international financial institution, with the mandate to invest in rural people to eradicate poverty in low- and middle-income countries.



Financing Facility for Remittances (FFR)

IFAD's US\$65 million multi-donor Financing Facility for Remittances aims at maximizing the impact of remittances on development and promoting diaspora engagement in migrants' countries of origin.

For more information, visit: www.ifad.org | www.ifad.org/ffr | www.RemitSCOPE.org



Developing Markets Associates Global (DMAG)

Headquartered in central London with a regional office in Sydney, DMAG is a leading payments consultancy engaged by both the public and private sector to deliver projects around the world. Since the company was founded in 2007, it has grown to 20 full-time staff, with a global network of research and support staff of a further 60 people. DMAG's core competencies include:

- Remittances and payment systems
 - Financial inclusion and access
 - Diaspora investment and diaspora related affairs
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About the initiative



Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa)

PRIME Africa is a EUR 15 million initiative co-financed by the European Union and implemented by IFAD's FFR, aimed at improving the management of remittances and their use for development impact in selected African countries.

For more information, visit: www.ifad.org/prime-africa

Read the other PRIME Africa country diagnostics:

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3. Ghana
4. Kenya
5. Morocco [ENG/FRE]
6. Senegal [ENG/FRE]
7. South Africa
8. The Gambia
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