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## **Digital transformation for an enabled digital economy and society**

Implementation of Enabling Systems in Ethiopia as part of Digital Ethiopia 2025 Strategy

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# The Digital Ethiopia2025 Strategy Consisted of Four Pillars

## Infrastructure



**Connectivity**

**Power**

- Speed up the Telecom Reform
- Upgrade and Modernization of Government Backbone
- Improving e-Commerce Logistics

## Enabling Systems



**Digital ID**

**Digital Payment**

**Cyber Security**

- Support Digital ID in Ethiopia
- Facilitate Digital payment & Adoption
- National Cyber Security frameworks & Awareness

## Digital Interactions



**E-Government**

**E-Commerce**

- Building User-centric Portals &
- Transaction-enabled e-Government Systems
- Facilitate Digital Businesses

## Ecosystem



**Finance**

**People**

**Policy and Regulations**

- Establishing the National Innovation Fund
- Develop & Implement Job-oriented digital skilling program & Digital Business incubators
- Design and pilot digital literacy & Skilling Strategies
- Formalize government engagement with ICT players
- Develop and promote Legal and regulatory mechanisms

# The Digital Ethiopia 2025 Strategy put forward two fundamental recommendations concerning Digital ID

## Digital ID

### Challenges the strategy identified



- The major identification programs for the different segments of the population only cover less than half of the population and fraudulent versions of these documents are widespread.
- Duplication of effort and 'identity silos' increase overall costs of identification, and cause extreme inconvenience to the individual

### Strategy Recommendations

1

**The momentum and lessons from earlier Digital ID projects should now be fully leveraged to launch a national digital ID**

2

**The digital ID system utilised should meet the ten principles on 'Identification for Sustainable Development' in order to maximize developmental impact and minimize risks to privacy and exclusion.**

Since 2021, the National ID program office has successfully identified four priority use cases and aims to cover 90 million residents by 2025

## 1. The momentum and lessons from earlier Digital ID projects should now be fully leveraged to launch a national digital ID

- ✓ Pilot launching of 'Fayda'
- ✓ Enrolment of 1.4M citizens as of June 2023
- ✓ Digital ID Proclamation Enacted



**Four priority use cases have been identified for digital ID implementation:**

|                              |  |
|------------------------------|--|
| Tax Fulfilment               | Tax Identification Numbers (TIN) and Fayda Identification Numbers (FIN) are being integrated through a pilot use case in partnership with the Ministry of Revenue                            |
| University Registration      | Registration of students for national examinations and course enrolment in partnership with the Ministry of Education  |
| Banking services             | In direct partnership with the National Bank of Ethiopia, a directive has been accepted by the Bankers' Association enabling 31 banks to register their account base by the end of 2023      |
| Refugee and IDP registration | In partnership with the Federal Refugees and Returnees Service (RRS) and with UNHCR's support, a data sharing agreement is in development to migrate over 480,000 existing refugees' details |

**Source:** NIDP June 2023, House approves digital ID proclamation by majority vote, [Fanabc.com](https://www.fanabc.com)

The enrolment process of the National ID has taken into full consideration the strategy's recommendation for a Digital ID that aligns with global best practice principles.

**2. The digital ID system utilised should meet the ten principles on 'Identification for Sustainable Development' in order to maximize developmental impact and minimize risks to privacy and exclusion.**

✓ NIDP's Fayda has been designed in alignment with all of the ten principles of 'Identification for Sustainability'

### 10 principles of Identification for Sustainable Development:



- |   |   |
|---|---|
| 1 Universal coverage from birth to death, free of discrimination                  | 6 Protecting user privacy and control through system design   |
| 2 Remove barriers to access, usage, and disparities in information and technology | 7 Planning for financial and operational sustainability without compromising accessibility                    |
| 3 Establish a robust - unique, secure, and accurate - identity                    | 8 Safeguarding data privacy, security, and user rights through a comprehensive legal and regulatory framework |
| 4 Create an interoperable platform that responds to the needs of various users    | 9 Establishing clear institutional mandates and accountability  |
| 5 Use open standards and ensure vendor and technology neutrality                  | 10 Enforcing legal and trust frameworks through independent oversight and adjudication of grievances          |

The strategy has recommended promoting financial services, mobile money, banking innovation, and regulatory harmonization to tackle challenges in the payment landscape.

## Digital Payment

### Challenges the strategy identified



- Low Internet adoption, low access to financial services and lack of awareness
- Lack of interoperability among banks and financial services
- Restrictions on the entry of non-bank technology companies in the mobile money sector

### Strategy Recommendations

1

**Financial inclusion:** Promote current financial services and evaluate the adoption of innovative solutions such as mobile money.

2

**Usage:** Promote benefits of non-cash methods through Digital Ambassadors and encourage innovation in the banking system

3

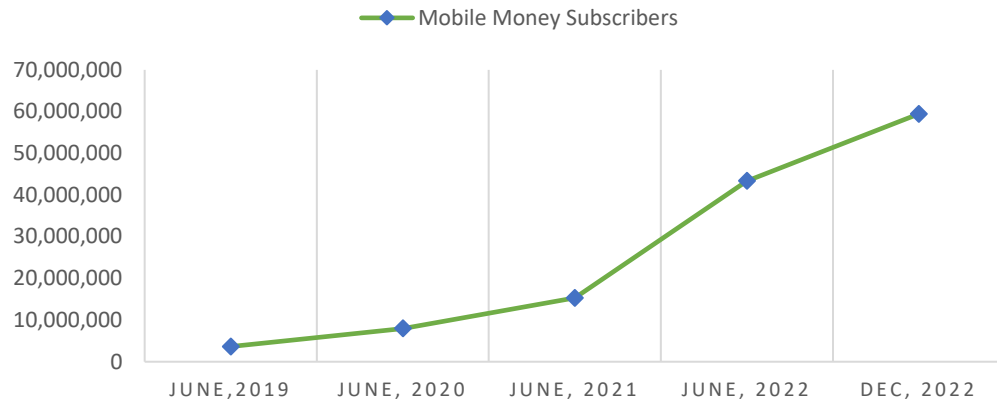
**Government Coordination:** Facilitate digital payments by harmonizing crosscutting regulation.



# Significant progress has been observed in the digital payment landscape since the introduction of the mobile money regulation in April 2020

**1. Financial inclusion:** Promote current financial services and evaluate the adoption of innovative solutions such as mobile money.

## MOBILE MONEY SUBSCRIBERS

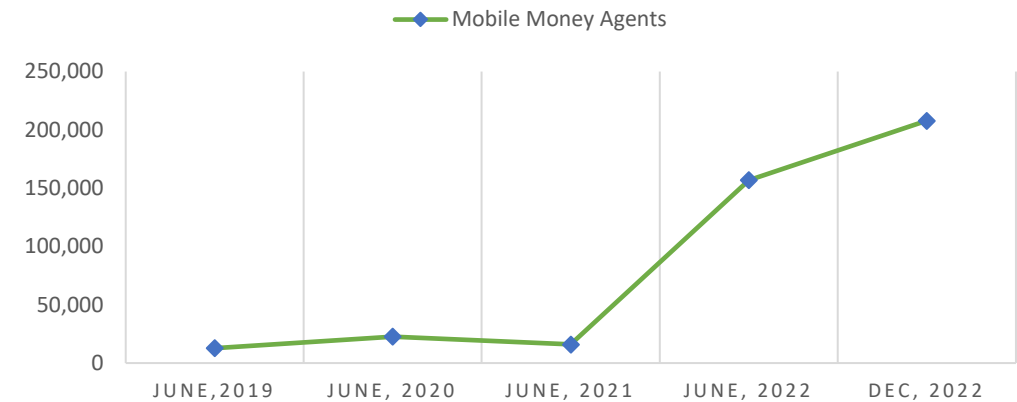


### Key Highlights includes:

- ✓ The number of mobile money subscribers has surged to close to 60 million as of December 2022
- ✓ Over 320 million mobile money transactions processed to date, with a total value exceeding 200 billion ETB for the year ending December 31, 2022

*Source: NBE | June 2023 report, 2023 GSMA Report*

## MOBILE MONEY AGENTS

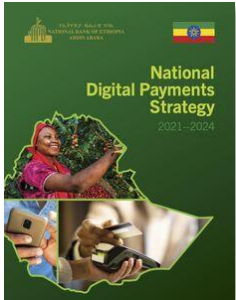


- ✓ Over 200,000 mobile money agents were operating in the country as of December 2022
- ✓ Telebirr since its launch in 2021, has acquired 34.3 Million subscribers and facilitating transactions valued at nearly 679.2 Billion ETB
- ✓ Safaricom Ethiopia has also obtained a license to introduce M-Pesa in Ethiopia.

# The Ethiopian government has implemented and revised policies to promote digital payments and enhance financial inclusivity

## 3. Government Coordination: Facilitate digital payments by harmonizing crosscutting regulation

### The National Digital Payments Strategy was launched in 2021



The strategy is focused on four key areas:

- **Developing a reliable, inclusive, and interoperable infrastructure**
- **Promoting the adoption of inclusive digital payments**
- **Building a strong and consistent regulatory and oversight framework**
- **Creating an enabling environment for innovation**

|                |                                      |   |
|----------------|--------------------------------------|---|
| Key Directives | Payment System Operations Directive  | Issued in 2020, This directive expands opportunities for new players (FinTech companies) to offer services previously dominated by banks, including payment switch, ATM operations, POS operations, and online payment gateway operations.  |
|                | Payment Instrument Issuer Directive: | Issued in 2020, This directive replaced the bank-led model of mobile and agent banking, allowing players like M-Birr, Hello Cash, CBE-Birr, and Amole to operate in Ethiopia.   |
|                | Consumer Protection Directive        | These directives have allowed non-financial institutions to offer payment processing and related services, cash-in and cash-out, local and international transfers, bill payments, and introduced financial consumer protection regulations |
|                | E-transaction Proclamation           | Aimed at promoting the adoption of digital transactions and includes provisions for digital signatures, electronic receipts, consumer protection, and digital payments.   |

**Source:** Digital Payment Strategy (2021 – 2024), GSMA, NBE | 2023



# How Enabling the Systems Facilitate innovation & can accelerate digital transformation

- Help to develop new digital technologies that are tailored to the specific needs of businesses and consumers.
- Help to reduce the cost of digital technologies, making them more accessible to businesses and consumers.
- Help to create new digital ecosystems that enable businesses to collaborate and innovate more effectively.

Thank You!