
UN SPECIAL ADVOCATE QUEEN MÁXIMA PROMOTES FINANCIAL INCLUSION ON VISIT TO ETHIOPIA

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Her Majesty Queen Máxima of the Netherlands, United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), visited Ethiopia on 14-15 May to discuss how the nation could embrace financial inclusion as a priority and help achieve the UN Sustainable Development Goals (SDGs).

The UNSGSA held meetings with President Sahle-Work Zewde, and Prime Minister Dr. Abiy Ahmed, along with other key government officials, including Ahmed Shide, Minister of Finance, Dr. Getahun Mekuria, Minister of Innovation and Technology, Dr. Yinager Dessie, Governor of the National Bank of Ethiopia (NBE), and Eyob Tekalign Tolina, State Minister. The Special Advocate also met private sector leaders and development partners, as well as barley farmers and mobile payments users during field visits.

Her first trip to Ethiopia as the UNSGSA was in December 2013, together with the UN Rome-based agencies Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD) and World Food Programme (WFP). She has maintained frequent contact with the country regarding its financial inclusion progress.

In late 2017, the Government of Ethiopia launched a National Financial Inclusion Strategy (NFIS) with an aim to improve access to financial services and economic development opportunities for its citizens.

Although the country has experienced a rise in financial inclusion in recent years, only a little over one-third of adults (35%) in the nation have access to formal financial services, according to the 2017 Global Findex. Additionally, Ethiopia lags its neighboring countries in access to formal financial services—in Kenya 82% of adults have an account, while in Rwanda it is 50%.

Women account for a disproportionate share of the unbanked, and that gap is widening. In 2017, it jumped to 12% after being virtually insignificant in 2014. Now, 41% of men have an account, compared to 29% of women (in 2014 account ownership was nearly even, with 23% of men and 21% of women with an account).

Digital payments are low in Ethiopia with only 12% adults reporting they have made or received digital payments within the last year, according to the 2017 Findex.

Way Forward

During her two-day visit, she identified several key opportunities to increase financial inclusion:

The expansion of digital financial services through regulations and licensing of non-banks that can provide payment services

Ethiopia has set up a national payment system (NPS), but it currently does not include providers other than banks and microfinance institutions. Mobile money penetration is low, at just 0.3%. The number of agents is insufficient with 17,000, though the country could need more than 100,000 for its population. Mobile money and agent expansion could be essential for Ethiopia to achieve its potential.

The UNSGSA suggested authorities consider allowing non-bank e-money issuers, which can be bank-owned, telecom-owned or technology companies that specialize in financial services (fintech). The UNSGSA and her partners also offered support to develop two separate principle-based regulations on agent banking and mobile money that would be complemented by more detailed directives. In addition, NBE highlighted its need to digitize payments, and the UNSGSA's partners agreed to support the central bank in developing a digital payments roadmap.

Improvements in the lending infrastructure

According to the World Bank's Enterprise Survey 2015, in Ethiopia 40% of all firms identify access to finance as the biggest obstacle to business. Meanwhile, 90% of the total movable collateral is comprised of vehicles. While some types of machinery and equipment are also commonly accepted, banking institutions have been reluctant to take floating assets, such as account receivables and inventory, as movable collateral.

NBE has taken several steps to improve this situation and will continue to do more work on movable-asset-based lending, secured transactions laws and collateral registries.

Prioritization and sequencing of NFIS actions

Although Ethiopia approved the NFIS in 2017, financial inclusion is not progressing in line with its goal of 60% inclusion by 2020. During her visit, the UNSGSA emphasized the importance of refreshing the NFIS with a focus on digital financial services, rural areas and women. The UNSGSA also applauded government efforts to develop a national identification system and the partial privatization of the telecom sector. She encouraged the country to continue its work to promote inclusive finance.

Next Steps

The UNSGSA and her partners—including the Bill & Melinda Gates Foundation, the Better than Cash Alliance (BTCA) and the World Bank Group—will continue to support Ethiopia's efforts. This includes a focus on the expansion of digital financial services, an enhanced lending infrastructure and the NFIS refresh and implementation.