

EMPOWERING ECONOMIC INCLUSION THROUGH ACCELERATED TECHNOLOGY ADOPTION

A KNOWLEDGE GUIDE TO SUMMIT PROGRAMMING

August 2024

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**INCLUSIVE
FINTECH
FORUM™** | 26-27
AUG
2024



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Foreword

The rapid adoption of technology is a strong force in empowering individuals and communities that have been marginalized economically. The combination of financial technology (FinTech) and inclusive policies has created new opportunities for financial access in Africa. From extending mobile banking services to underserved populations to using blockchain for microfinance, we are seeing a significant change in how financial services are provided and accessed. **The technological revolution in Africa is not just about convenience; it's about creating opportunities for millions to take part in economic activities, lift people out of poverty, and improve the quality of life for future generations.**

This report highlights the ongoing challenges that Africa faces today and examines how accelerated technology adoption can promote economic inclusion. **By leveraging innovations in artificial intelligence, digital assets, and digital platforms, the FinTech sector can establish a more sustainable, personalized, accessible, and affordable financial services ecosystem.** This, in turn, will empower micro, small, and medium enterprises (MSMEs), promote entrepreneurship, and contribute to resilient and inclusive economies.

Achieving economic inclusion through technology is a joint effort that demands focused action from governments, financial institutions, capital providers, technology firms, and individuals. **It is crucial to implement innovations responsibly to build a future where economic opportunities are not limited to a few but are open to all.**

The Inclusive FinTech Forum, scheduled to take place in Kigali, Rwanda on August 26th and 27th, will facilitate discussions on advancing economic inclusion through technology adoption. The forum will bring together policymakers, regulators, investors, operators, and C-suite executives. The main theme of the forum will be “Empowering Economic Inclusion Through Accelerated Technology Adoption”.

We are looking forward to your participation.



**Hon. John
Rwangombwa**

Governor,
National Bank of Rwanda



Sopnendu Mohanty

Chief FinTech Officer,
Monetary Authority of
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Chair of the Board of
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Introduction

Africa's FinTech sector has demonstrated remarkable resilience and growth in the face of economic challenges. The sector has attracted significant investment due to its proven business models, successful large funding rounds, and an increasing number of exits. This progress has caught the attention of major global investors and strategic players.

As FinTech in Africa matures, it faces both opportunities and challenges. There is immense growth potential - **cash still dominates many African economies**. However, FinTechs must navigate complex regulatory landscapes, build trust with consumers, and develop sustainable business models.

During the 3i Africa Summit in Ghana held in May 2024, John Rwangombwa, Governor of the National Bank of Rwanda, attributed the economic growth of the region to the below three factors:

1. The young population of Africa, which is educated, and **easily able to adapt to changes in technology**;
2. The policymakers across the region, who are **making investments in digital infrastructure**; and
3. The implementation of **enabling regulatory frameworks** and policies that promote fintech and inclusive growth.



Key Outcomes of IFF 2023

Institutional Support and Investment

The forum highlighted the importance of institutions' support, such as Pension funds and Development Finance Institutions (DFIs). These can bolster fintech development by providing the required seed capital, thereby generating demand for innovative services.

Development of Data-Sharing Platforms

The forum necessitated establishing data-sharing platforms, domestically and cross-border, which will serve as building blocks for digital product development benefiting rural Africa.

5 critical Funding Areas for Accelerating Financial Inclusion

The forum identified five key areas funding for boosting financial inclusion, namely digital infrastructure development, policy harmonization, policy clarity, capital market development, and talent retention.

Policy Support for FinTech Innovation

The forum drew attention to the need for a sound, and supportive regulatory framework to encourage FinTech innovation.

Financial Literacy Awareness

The forum acknowledged the necessity for financial literacy campaigns across the continent. These initiatives are essential for spreading awareness about the significance of financial products like insurance, savings, and pensions.

Innovation Hubs

The forum acknowledged that collaborations with organizations such as the United Nations Capital Development Fund to establish innovation hubs across the region can bolster the startup ecosystem by capacity-building programs, and enhanced access to funding.

Mobile Money Sector

The forum highlighted the impact of mobile money solutions in providing greater access to financial services, particularly in areas with limited banking infrastructure.

Top 10 Key Developments across Africa since IFF 2023

Timbuktoo 1 billion Startup Fund, July 2024

The United Nations Development Programme (UNDP) and the Timbuktoo Africa Innovation Foundation unveiled the first innovation center in Lagos, Nigeria. It aims to address gaps by collaborating with African governments, investors, corporations, and universities to boost the African startup ecosystem.

Kenya's Nationwide Financial Literacy Campaign, June 2024

The public and private sectors have collaborated in Kenya to spread awareness about the significance of mobile services, and insurance products to promote savings culture.

Mojaloop Foundation, May 2024

In 2023, the Mojaloop Foundation continued to build a go-to-market strategy team that works to create a more connected, inclusive, and digital economy. They launched The Accelerator Program in 2023 which strives to enrich the capacity of local IT networks for supporting national payment systems. The program continued to expand in 2023, with three countries - South Sudan, Zambia, and Malawi, planning to launch it in 2024.

Kigali Innovation City, May 2024

The construction of the Kigali Innovation City (KIC) is scheduled to commence in September 2024. The hub will unite startups, universities, investors, and global technology leaders. The effort is anticipated to attract foreign direct investments to Rwanda, potentially generating over US\$300 million each year.

Connect Rwanda Phase 2, March 2024

The Ministry of ICT and Innovation in Rwanda collaborated with mobile operators MTN and Airtel to increase smartphone adoption in rural and underserved communities. The program will appoint digital ambassadors to conduct training nationwide to improve digital literacy among citizens.

Norrskan East Africa Expansion, November 2023

The Norrskan hub is one of the largest entrepreneurship hubs in East Africa supporting over 1000 impact entrepreneurs in the region. The project continues to attract investment to Rwanda and develop its startup ecosystem.

International Finance Corporation's (IFC) Investment in Amethis, August 2023

IFC closed the third round of investment in Amethis, which a private equity firm dedicated to impact investing in Africa. The fund aims to raise EU450 million, for growth capital and buyout investments in 10 - 12 mid-sized companies in across various sectors in Africa.

Airtel Money in Uganda, July 2023

Airtel Uganda partnered with the United Nations Capital Development Fund (UNCDF) to launch open APIs for third-party innovators. By launching their APIs, the mobile service provider facilitates safe, instant, and secure transactions for merchants and customers, fostering innovation and inclusion, particularly for low-income communities.

Africa Business Angel Network (ABAN) Vehicle in Kigali, June 2023

ABAN announced its first cross-border investment through Special Purpose Vehicles (SPVs), which aim to bridge the funding gaps in Africa and thus, accelerate startup growth.

Tigo Pesa in Tanzania, 2023-2024

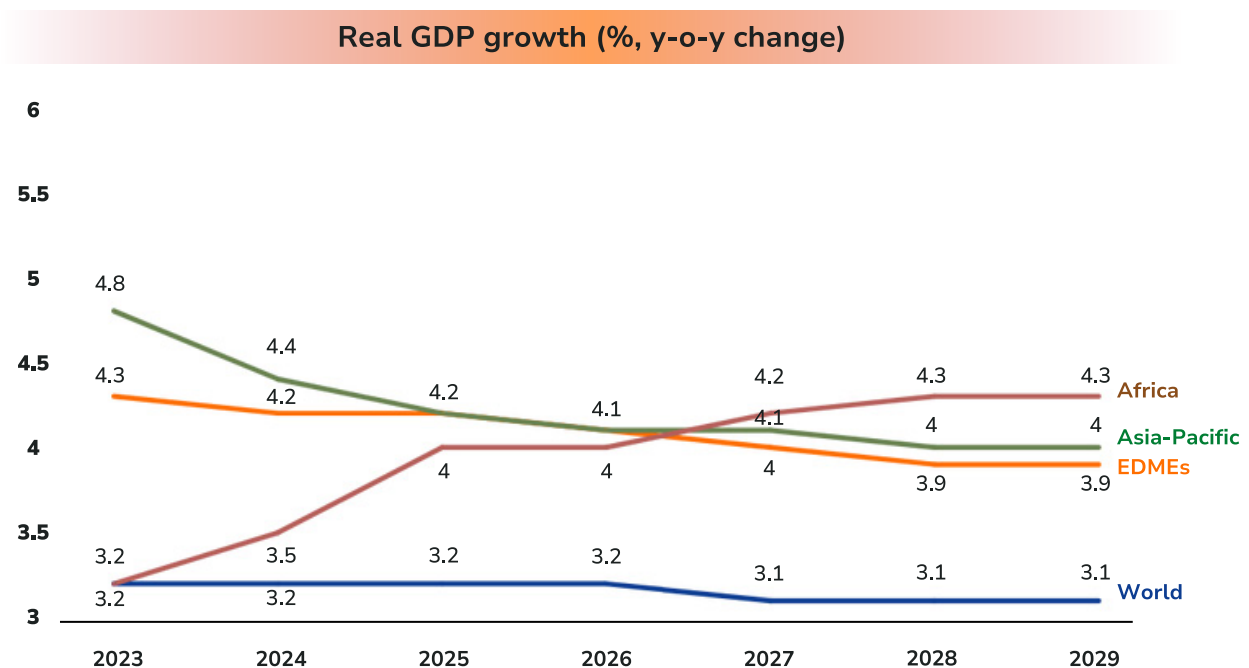
Over the past year, Tigo Pesa, a mobile money service in Tanzania, has expanded its offerings to include new features such as microloans and savings accounts. These aim to broaden its user base and promote greater financial inclusion.

Macroeconomic Trends

GDP Growth

Africa is projected to be the **world's second-fastest-growing region** in 2024, with an anticipated real GDP growth of 3.7%, **surpassing the global average of 3.2%** and trailing only behind Asia-Pacific's 4.4% growth rate (IMF, 2024).

The continent's growth is projected to surpass other emerging and developing economies (EDMEs) by 2026. Additionally, Africa is anticipated to **achieve a real GDP growth rate exceeding 4%, putting it on par with the APAC region by 2026** (IMF, 2024) .



Source: World Economic Outlook, International Monetary Fund (April 2024)

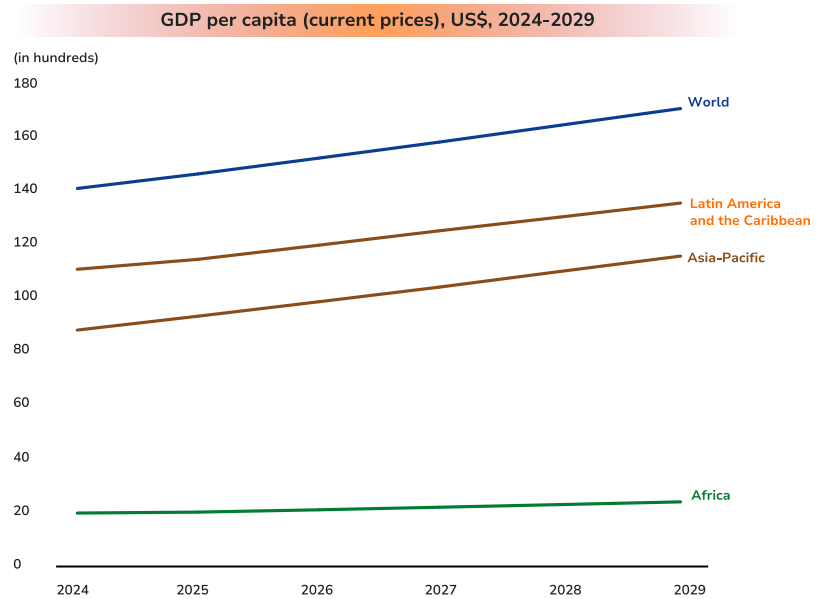
By 2029, Africa's annual per capita income is forecast to climb to **US\$2,366**, marking an increase from **US\$1,956** in 2024. Despite this growth, the continent's **per capita income will continue to lag significantly behind the global average** and that of other regions such as Latin America and Asia-Pacific in the medium term.

This income disparity, however, presents a unique opportunity for various stakeholders. The gap between Africa's economic indicators and those of more developed regions underscores the vast untapped potential for technological advancement and digital transformation. By leveraging these opportunities, Africa could experience accelerated growth.

The economic outlook for Sub-Saharan Africa's major economies shows varied growth trajectories.

South Africa, the region's most advanced economy is expected to experience modest growth of 0.9% in 2024, with projections indicating an annual growth rate of 1.4% from 2026 to 2029.

Ghana and Rwanda are projected to experience strong economic growth in the medium term, with projected real GDP growth of 5% and 7.3% in 2029 respectively, followed by Kenya at 5.3%. Nigeria is projected to grow by 3.3% during the same period.



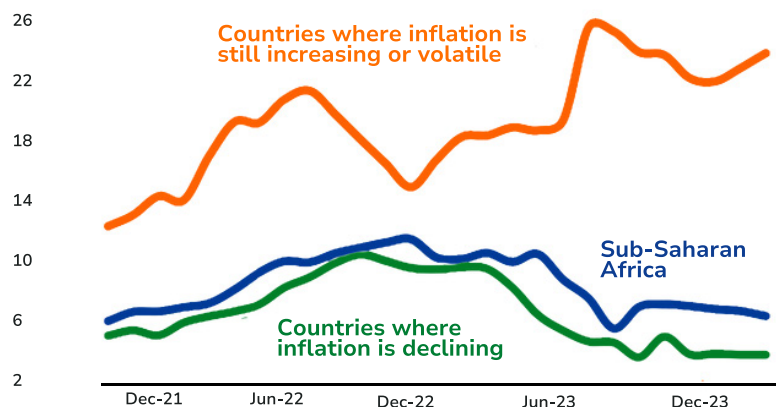
Source: World Economic Outlook, International Monetary Fund (April 2024)

Inflation Expectations

Median inflation in the region has started to ease - 6% in February 2024 (vs. 10% in November 2022). **In February 2024, a third of African countries faced double-digit inflation, mostly due to substantial currency depreciation in 2023** (markedly in Angola, Malawi, Nigeria, Zambia, and Zimbabwe) (IMF, 2024).

While projections suggest inflation easing to 14% in 2024, it is anticipated to remain high over the next few years. This will most likely translate into further tightening monetary policy by central banks in those countries (IMF, 2024).

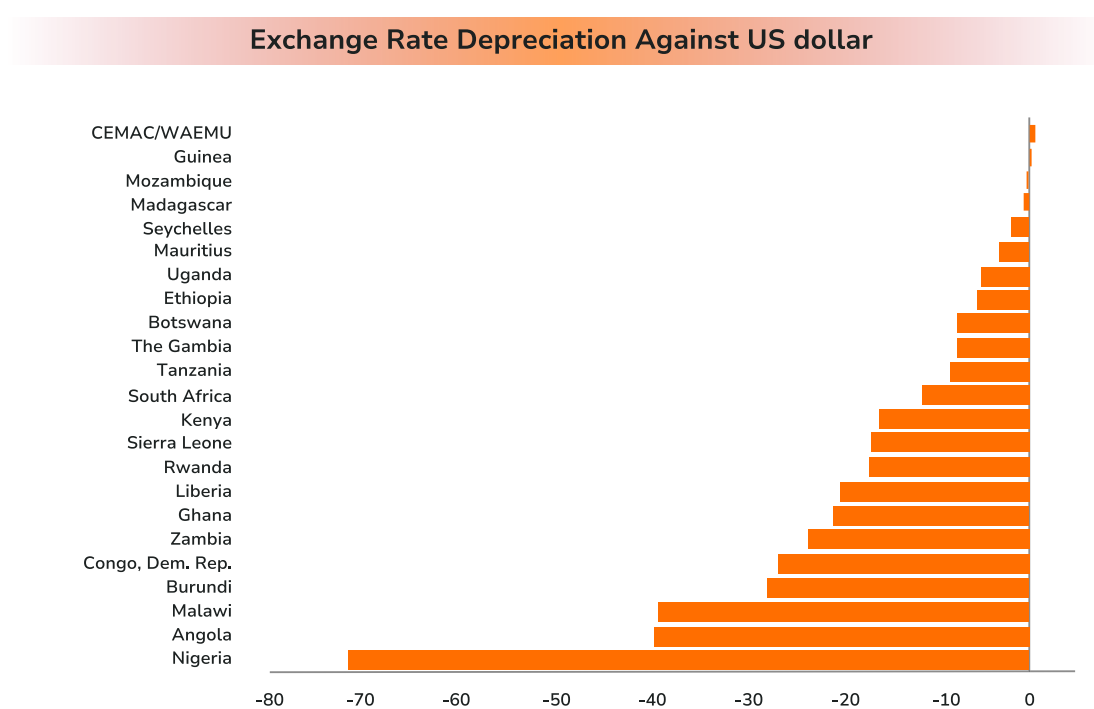
Median Inflation (% , y-o-y change), December 2021 – February 2024



Source: Regional Economic Outlook, International Monetary Fund (April 2024)

Currency Fluctuations

In 2023, most currencies in Africa depreciated against the US dollar. In February 2024, compared to January 2023, the Nigerian Naira declined over 70% against the US dollar because of adopting a freely floating regime in 2023, while the Ghanaian cedi fell by 25% (IMF, 2024).

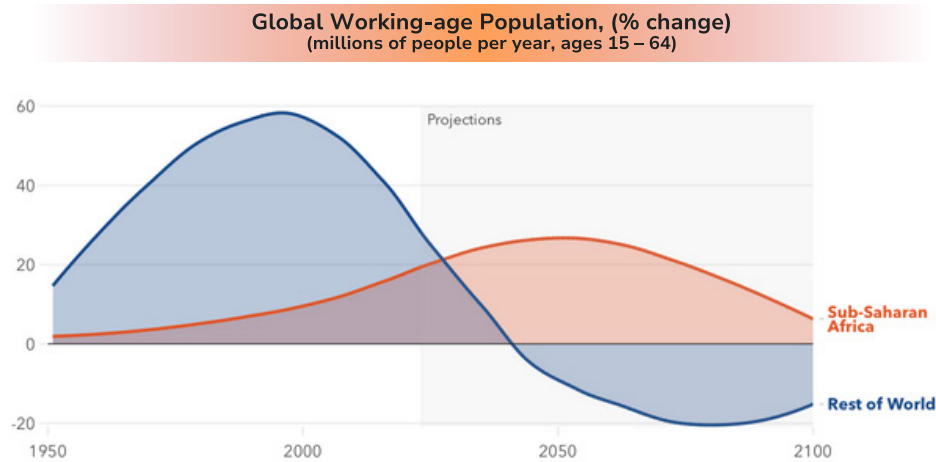


Source: Regional Economic Outlook, International Monetary Fund (April 2024)

Demographic Trends

The continent's population is the fastest growing globally, with its global share **projected to reach 21.3% by mid-2035**, from 18.2% in 2023. The demographic transition that the region is going through is its single greatest opportunity to drive digitalization².

The working-age population in the region will continue to expand, while it shrinks for the rest of the world (IMF, 2024). It is estimated to increase to 63% of the total population by 2050. **The median age in Africa was recorded to be only 18.8 years in 2023**, compared to 39 years in China and 29 years in India². **By 2050, the UN expects Africa and Asia to drive 90% of urban population growth³**. Combining young population with rapid urbanization, Africa will represent a significant proportion of highly tech-savvy individuals.



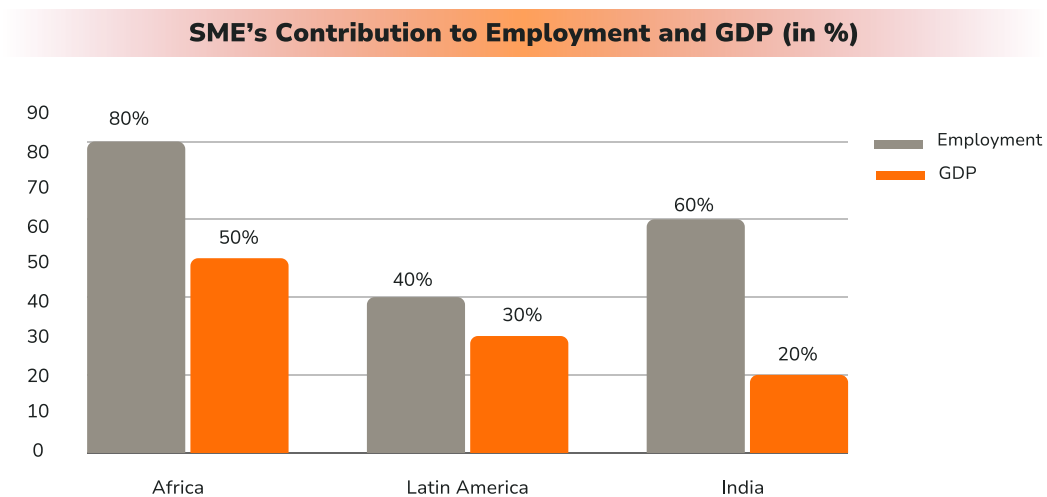
Source: Regional Economic Outlook, International Monetary Fund (April 2024)

Future's Largest Talent Pool

Africa is expected to contribute 90% of the global labor force in the coming years, surpassing the pool from China and India (WEF, 2024). The African Development Bank reveals that an average of **8 to 11 million African youth will be entering the labor market every year in the coming decades, but only about 3 million formal jobs will be created**, which might contribute to high unemployment rates in the region (WEF, 2024).

The Critical Role of SMEs

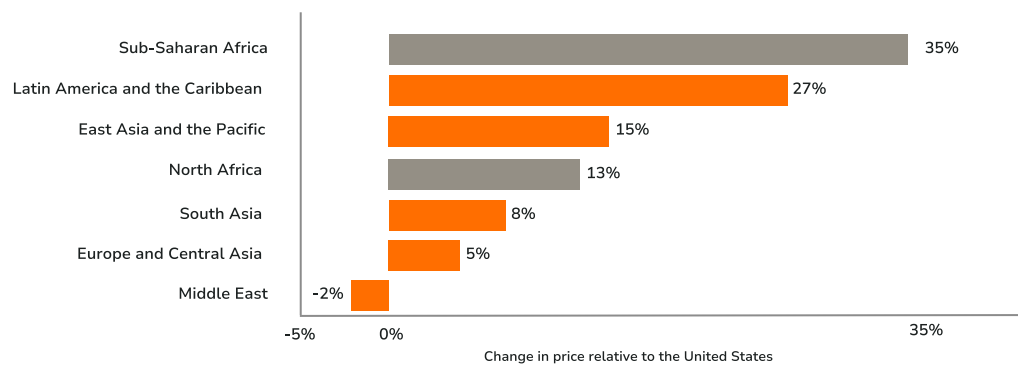
SMEs play a crucial role in Africa - they account for 80% of the total workforce, and **contribute more than 50% to GDP**. For reference, SMEs contribute 30% to Latin America's GDP and 20% to India's⁴.



Sources: Unlocking SME potential in Latin America and Caribbean, September 2022
Role of SMEs in the Indian Economy, Wadhvani Foundation, January 2023
WT Lighthouse SME Digitalization, This time for Africa!, January 2023

Despite the significant contribution to the region's economic growth, African SMEs face multiple challenges, including access to finance and a difficult journey to digitalization. Digital financial products including machinery, equipment, and software are **three times more expensive in the Sub-Saharan African region** compared to the United States (IFC, 2024). In contrast to other developing regions where **fixed broadband internet costs about 6% of per capita gross national income**, it costs around 20% in SSA (IFC, 2024).

Prices of Digital Products Relative to the United States, by region



Source: International Comparison Program, World Bank (2024)

Thus, for Africa to achieve its desired economic growth, it is crucial to empower SMEs with access to essential resources. To overcome business challenges, SMEs must be enabled to harness the power of modern financial technology, enhance their digital capabilities, utilize market intelligence, and cultivate robust relationship networks. By leveraging these tools and strategies, African SMEs can position themselves for success and contribute significantly to the continent's economic expansion (WEF, 2023).

An example of government support is **South Africa's initiative called 'Energy Bounce Back Scheme (EBB)'** which aims to facilitate loans to SMEs tailored to investments associated with rooftop solar generated energy (National Treasury, 2023). Another recent initiative, **The Rwanda Imbaraga SME Ecosystem (RISE) programme**, is a **joint effort of the National Bank of Rwanda (NBR) and the Monetary Authority of Singapore (MAS)** directed toward assessing credit worthiness of SMEs in Africa with limited financial records and collateral⁵. This programme uses alternative data for credit profiling, in turn strengthening firms' commercial activities domestically as well as offshore.

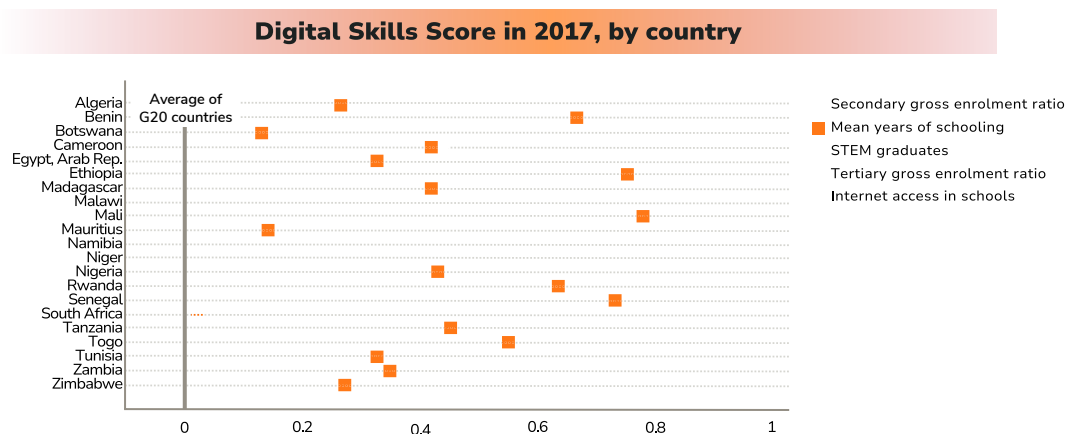
Education

There is no doubt about the progress of the education sector in Africa. Primary school completion rates have gone up from 52% in 2000 to 67% in 2022, while high school dropout rates have lowered (WEF, 2022).

The latest data shows 50% of students now completing their lower secondary education compared to 35% in 2000, and 33% completing upper secondary education up from 23% in 2000. The progress seen in girls' education has also been commendable, **with 66% of girls finishing their primary school education in 2020, which was only 44% two decades ago**. On lower and upper secondary levels, 44% and 26% completed their studies respectively in 2020, as opposed to a mere 29% and 17% in 2000. **The skills gap has declined from 5% to 2% in the past 22 years at a secondary level, while it has come down from 6% to 3% at the upper secondary level** (WEF, 2022).

There is however a meaningful gap in digital skills. A report highlighted that **all countries in the region ranked poorly in measuring digital skills required for using recent AI and green technologies** (Brookings, 2023). The indicators for measuring digital skills in the construction of the Digitalization Gap Score Index are: secondary and tertiary level gross enrolment ratio, mean years of schooling, internet access in schools, and STEM graduates. In Africa, none of the indicators for any country averaged higher than the G20 average in 2017.

The World Bank's Digital Economy for Africa (DEA4) initiative has shown promising development toward creating a vibrant, safe, and inclusive digital economy in the region. The initiative supports the digital transformation strategy for Africa prepared by the African Union (AU). Around **160 million Africans gained broadband access** from 2019 to 2022, with **decreased costs of 1GB** of data from 11.5% of monthly Gross National Income (GNI) per capita in 2019 to 5.7% in 2021⁶.



Source: Digitalization and digital skills gaps in Africa: An empirical profile, Brookings (May 2023)

Governments have launched initiatives to support digital education – as an example, the Government of Rwanda in 2019 launched Nyabihu TVET School & Rwanda Coding Academy (RCA). The RCA is part of the '**Rwanda Digital Talent Policy**' to equip the youth with software programming skills, driving excellence in coding to help Rwanda become a leading ICT hub in East Africa⁷.

The private sector is also stepping up - Andela, a Nigerian unicorn company with more than 300 employees around the world was founded in 2014 to address the gap in supply of software engineers and developers in the region. The company builds remote engineering teams supporting global and domestic tech companies to meet talent requirements.

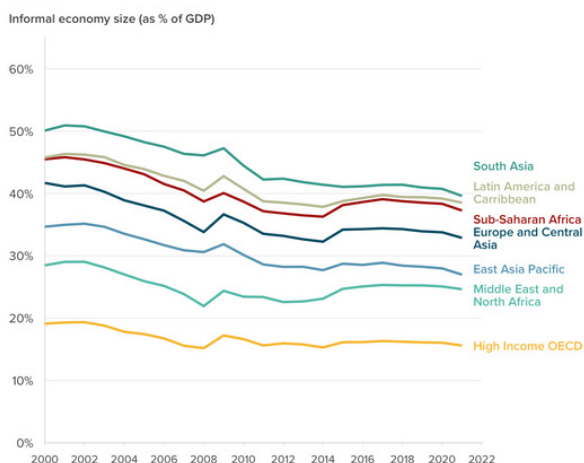
Women in Africa

Employment and Entrepreneurship

A recent report by the IMF reveals that **globally around 60% of the workforce is employed in the informal economy (2 billion people)**. Africa is heavily reliant on the informal sector, which has averaged around 45% of GDP in sub-Saharan Africa from 2010 - 2017.

Around 74% of women in SSA are engaged in the informal sector⁸. The impact of informal employment is reflected in income inequality - individuals employed in informal jobs earn, on average, 56% of what their counterparts in formal economy positions make (ILO, 2023) . **The gender pay disparity is pronounced for women in informal employment, who earn 52% of formal wages, while men in informal jobs earn 58% compared to their formal sector counterparts (UN, 2023) .** While the informal sector employs an enormously large population, it often leads to lower productivity, undermines earning potential, limits access to funding and social protection, and widens the gender gap.

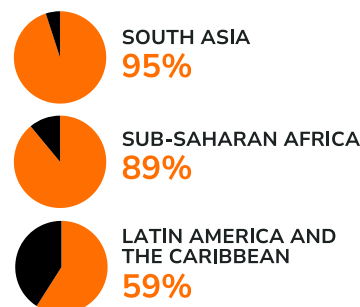
Informal Economy around the world



Source: Informal Economy Sizes: Informal Economy Size as a Percentage of GDP, World Economics⁹

Women in the informal economy

WOMEN IN INFORMAL EMPLOYMENT AS A PERCENTAGE OF TOTAL EMPLOYMENT



INFORMAL WORKERS CAN INCLUDE:

- Street Vendors
- Petty Goods and Service Traders
- Subsistence Farmers
- Seasonal Workers
- Domestic Workers
- Industrial Outworkers



Source: United Nations Women (2022)

The female unemployment rate in Africa was estimated to be about 6.8% in 2023, compared to 5.3% for men¹⁰. While the average unemployment rate for women on the continent was not particularly high, there were significant disparities among countries. For instance, in 2022, Djibouti and South Africa had female unemployment rates of around 38% and 31%, respectively. In contrast, Niger, Burundi, and Chad had much lower rates, with only about 1% or less of women in the labor force being unemployed.

According to the African Development Bank (AfDB), Africa has the highest number of women entrepreneurs with almost 26% of women either owning or running a business (WEF, 2023) . Since 2010, women's participation in industry and services has increased, with women contributing 40% of crop production labor. **Women alone make up 58% of Africa's self-employed population which adds 13% value to the continent's GDP** (WEF, 2022). According to the Mastercard Index of Women Entrepreneurship (MIWE), **US\$5 trillion (6%) estimated global growth is from women-owned businesses.**

Access to Finance

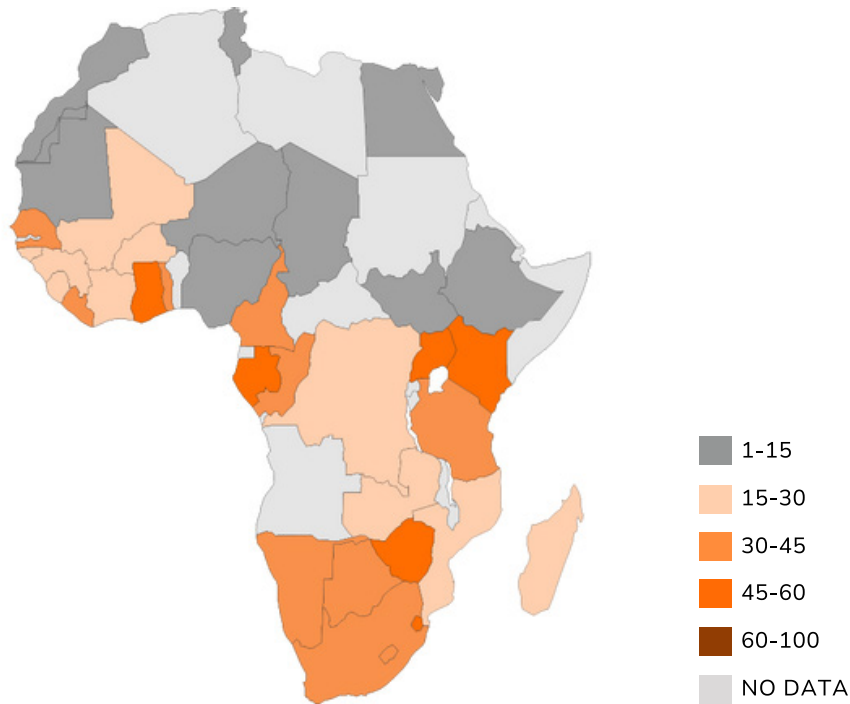
Global Findex estimated a significant increase in the proportion of women in Sub-Saharan Africa who possessed a financial account in the decade preceding 2021. This figure more than doubled, reaching 49%. **Notably, from 2017 to 2021, there was a 12% rise in account ownership rates among women in the region.** This growth was attributed entirely to the increased adoption of mobile money accounts. For instance, In Cameroon, the percentage of women with **bank accounts rose from 30% in 2017 to 49% in 2021**, which included a 26% increase in mobile money accounts. In Ghana, women's account ownership grew from 54% to over 63%, with a 21% rise in mobile money accounts (Brookings, 2024) . Studies (see (Wright, et al., 2017) , and (Jack & Suri, 2014)) find that growth in financial access benefits women from owning their own financial accounts. These include greater personal safety, lower exposure to theft, and increased ability to receive money.

Despite a surge in women entrepreneurs in Africa, there is an estimated **US\$ 42 billion financing gap**, with only 15% of loans to SMEs in the region going to women-led ventures. Female entrepreneurs looking to expand their businesses face multiple challenges¹¹:

1. Access to financing: Lending to women is often viewed as riskier, leading to higher interest rates for them. Additionally, women frequently lack traditional forms of collateral and guarantees.
2. Capacity: The lack of financial institutions' ability to understand and adequately support women entrepreneurs.
3. Business environment: Legal and regulatory frameworks often hinder women's participation in private sector growth.

The AfDB has been working toward addressing these problems in the region through the Affirmative Finance Action for Women in Africa (AFAWA) initiative. It is aimed at addressing the financing gap of US\$ 42 billion that women entrepreneurs face across the continent. The initiative works around three pillars: finance, technical assistance, and enabling business environment.

By leveraging the resources of the AfDB, AFAWA facilitates increased lending to women-led businesses, provides essential training to enhance business management skills, and engages with governments to dismantle legal and regulatory barriers hindering women's economic participation.

% of Women with a Mobile Money Account in Africa, 2021 - 2022

Source: "Understanding women micro-entrepreneurs' use of mobile phones for business: Evidence from 10 low- and middle-income countries", GSMA Consumer Survey, 2022

African Women in Tech

Women's full involvement in the digital and tech sectors drives innovation, profitability, and market expansion. **Research shows that globally women-led companies yield 34% higher returns on investment compared to their male-led counterparts, particularly in cutting-edge fields like technology¹².** Women-led tech startups are uniquely positioned to tap into underserved markets, especially reaching women and girls who have traditionally lacked access to digital platforms. This is strategically important as African women's consumer spending power continues to grow (Porfido & Marks, 2020) .

Women-led digital businesses present a significant opportunity for social impact and inclusive growth. African women entrepreneurs have made remarkable strides in innovating solutions to tackle development challenges that disproportionately affect women and girls. For instance, Kiwe, a fintech startup in Egypt led by Fatma Ibrahim, is redefining financial services delivery in Africa.

The startup is operating a digital wallet tailored for consumer and business payments, by enabling users to transfer funds and pool money for joint payments. The platform also integrates e-commerce platforms and online merchants for a simpler purchase payment ecosystem. MoneyAfrica, an online financial literacy portal was founded by Tosin Olaseinde in Nigeria.

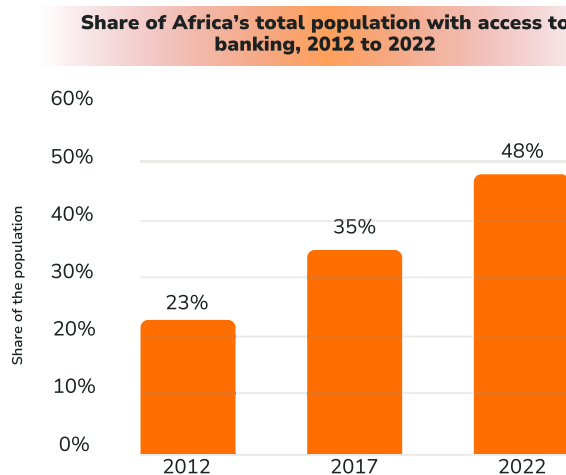
The platform builds capacity by offering courses on budgeting, currency risk to inflation and treasury bills for African youth. Lami Technologies is another women-led venture, founded by Jihan Abass in Kenya. It is an insurtech company that provides API solutions for digital insurance products. The company is building on making insurance affordable and accessible in African markets.

When women take the helm of tech companies, they often bring about positive changes in business operations, including hiring and promotion practices. With female representation in leadership roles, companies are more inclined to recruit women across all levels, fostering a pipeline of female talent within the industry and contributing to the formation of more gender-diverse teams (Porfido & Marks, 2020).

Thus, a prospering tech industry in Africa will require policies to allow more women to participate in the tech sector. All stakeholders must ensure to provide same access to women as men and address policy gaps.

Addressing Economic Inclusion

Around **50% of Africa's population remained un/underbanked** in 2022 (African Business, 2023) . This issue of significant unbanked and underbanked population is largely attributed to two elements: **the continent's substantial rural population and the underdeveloped transportation infrastructure** (African Business, 2023) .

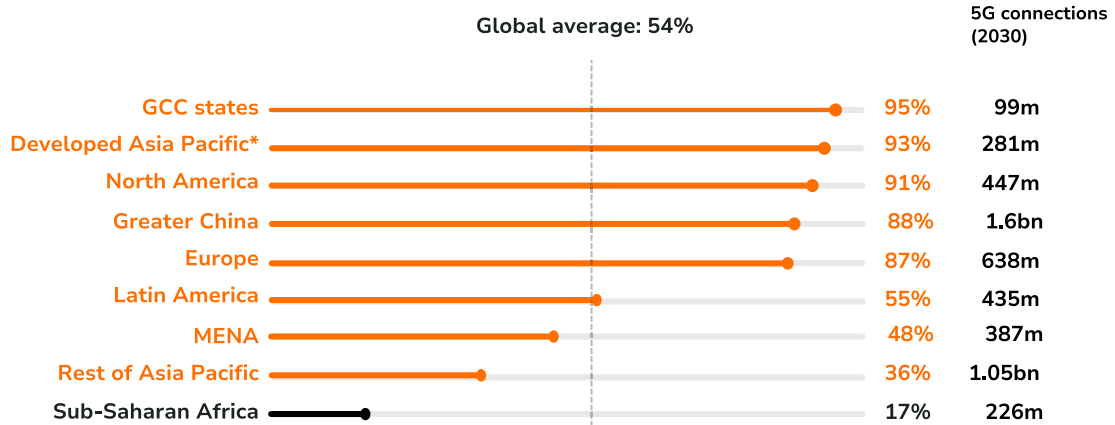


Source: Statista (2022)

To a certain extent, the gap in financial product access has been addressed by the mobile money sector.

Firstly, the growth in the mobile money sector has been fueled by two primary factors: the widespread adoption of mobile devices across the region and the underdeveloped traditional financial infrastructure. Smartphone ownership stood at 51% in 2022 in SSA and is **expected to reach 87% in another six years** (by 2030) (GSMA, 2023).

5G adoption in 2030, percentage of total connections

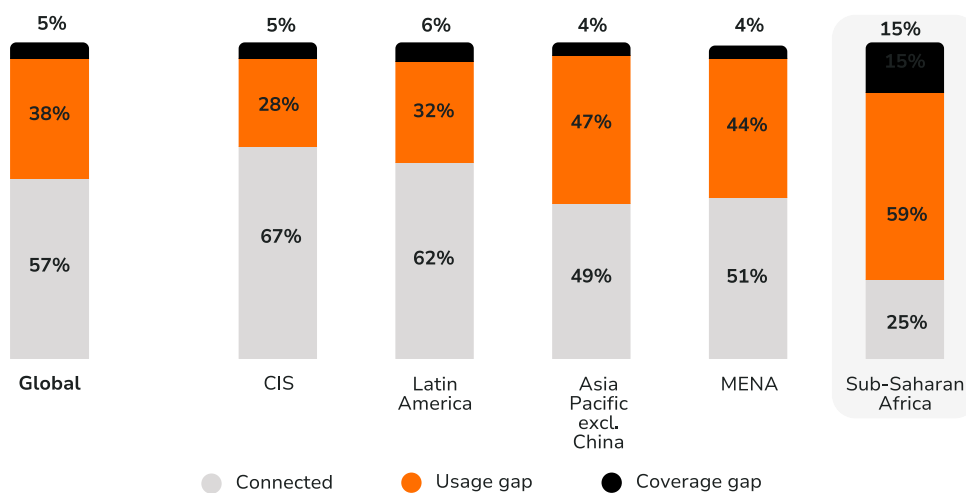


Source: The Mobile Economy in Sub-Saharan Africa, GSMA (2023)

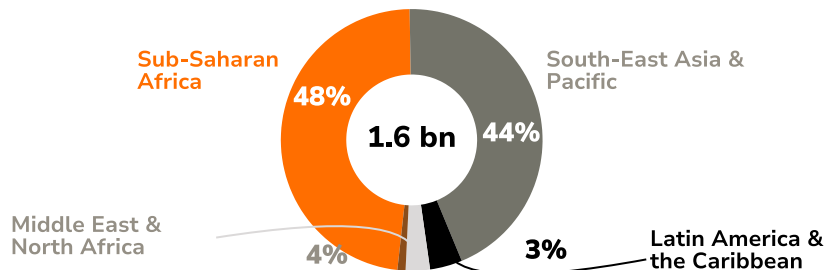
Mobile network operators have emerged as key players in this expansion, capitalizing on their cost-effective operational models and extensive customer data repositories. This has led to high mobile penetration rates across most African markets, exceeding 50% in countries like Mauritius, South Africa, and the Seychelles in 2022 (GSMA, 2023). These high mobile penetration rates are supported by a steady increase in broadband internet access as connectivity barriers continue to diminish. The continent is witnessing a rise in digital readiness among its population, setting the stage for further innovation and economic inclusion.

Consequently, Africa has emerged as a global frontrunner in mobile money adoption, accounting for nearly half of the world's mobile money users.

Mobile internet penetration by region, 2022 (% of population)



Source: GSMA Intelligence (2023)

Registered Mobile Money Customers in 2022, by region

Source: FinTech in Africa, A Thriving Opportunity, FTPartners Research (March 2024)

Secondly, empirical findings suggest that **technology adoption leads to inclusive productivity growth**. The studies prove that internet availability positively impacts jobs and welfare. Internet access has indirect impacts on jobs through entrepreneurship, innovation, and foreign direct investments (WBG, 2023). Additionally, it increases demand, thus, boosting aggregate growth. **Even though there is empirical evidence of the impact of technology adoption on jobs and inclusive growth, not many people benefit in Africa due to the lack of digital technology use.** This is because the region still lags behind other regions in internet infrastructure coverage and quality. The data suggests that 84% of people in Sub-Saharan Africa lived in areas with 3G coverage on average and 54% with 4G mobile internet connectivity, and only 22% used internet services in 2021. There is a wide heterogeneity in usage rates across the region with South Sudan at a low of 6% and South Africa at 53%.

To address these challenges, WBG recommends improving access to credit, implementing targeted regulations, and encouraging market-driven price reductions to enhance affordability. Additionally, it emphasizes that investment in enabling internet connectivity should be considered as a tool for increasing household income and reducing poverty to drive inclusive growth.

For Africa, the development of targeted, sophisticated, and user-friendly apps with touch screen and voice interfaces, catering to multilingual African societies can significantly drive the adoption of these technologies. Lastly, this will have to be coupled with better electricity infrastructure, roads, education, and financing.

AfCFTA: World's Largest Free Trade Area

The African Continental Free Trade Area (AfCFTA), which became operational on May 30, 2019, is the **world's largest free trade zone in terms of number of countries participating** (WBG, 2020). The agreement constitutes 54 countries.

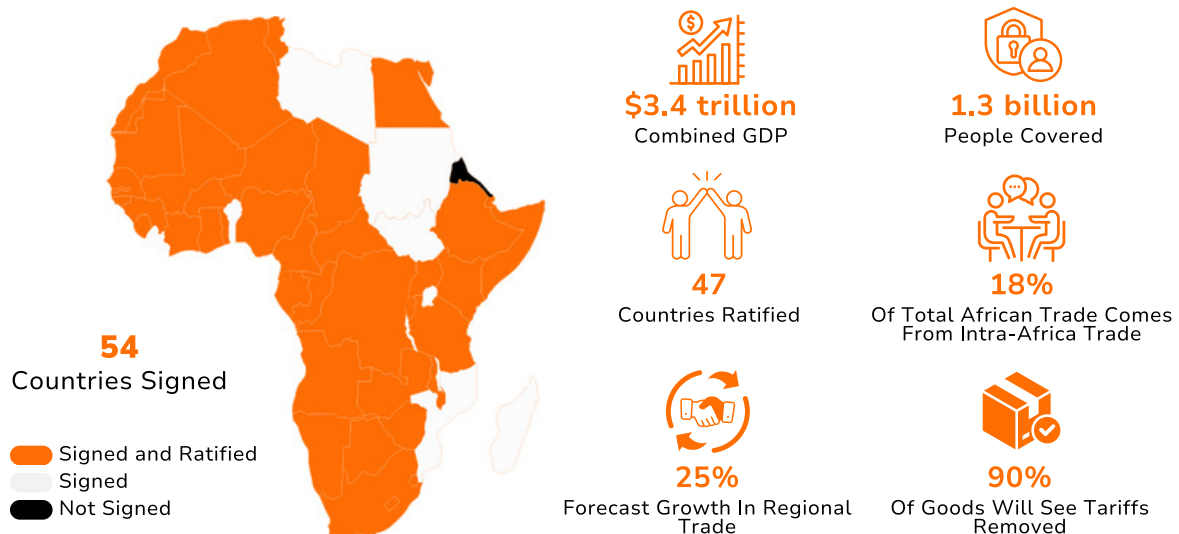
The agreement aims to create a **unified market of 1.3 billion people with a combined GDP of US\$3.4 trillion**. This agreement aims to **lift 30 million people out of extreme poverty** and improve the incomes of 68 million individuals currently living on less than \$5.50 (WBG, 2020) per day. By eliminating trade barriers, the AfCFTA seeks to boost intra-African commerce significantly.

"The existential economic sovereignty of our continent is precisely why the African Continental Free Trade Area was established so that we can leverage this market of 1.4 billion people, which by 2050 is projected to be the 8th largest economy in the world with \$16.3 trillion, 27 years from now. But, if we don't deploy these digital technologies, all of us are going to be discussing where we got it wrong."

Wamkele Mene, Secretary General, AfCFTA. May 2024, 3i Africa Summit, Ghana

The implementation of AfCFTA is expected to promote cross-border mobility, drive industrialization, create job opportunities, and attract investment. These developments are anticipated to enhance Africa's competitiveness both in the short term and long run. Through the gradual elimination of tariffs on 90% of goods and reduction of barriers to trade in services, the **AfCFTA aims to increase Africa's income by \$450 billion by 2035¹³**.

African Continental Free Trade Area Overview



Source: FinTech in Africa: A Thriving Opportunity, FTPartners Research (March 2024)



Digital Public Infrastructure

Digital Identity

There is **broad agreement that digital identity should be interoperable** to build a secure and **single Digital Market** across the continent by 2030 (Smart Africa 2020). This will allow the free movement of individuals, services, and capital. Moreover, individuals and businesses can seamlessly access and engage in online activities in line with AfCFTA. Following the adoption of an agreement by many AU countries in Africa, different Regional Economic Communities (RECs) are also piloting regional interoperable digital IDs. As of February 2024, UNECA data revealed that countries in Africa adopting comprehensive **digital ID frameworks could add economic output equivalent to 3 to 7% of GDP** (ECA, 2024).

However, achieving universal coverage remains a key challenge with **nearly 540 million people still lacking legal identification in Africa, 95 million children under five years of age never had their births recorded, and 120 million children without birth certificates**. Furthermore, African governments have been developing biometric databases and digital identity systems mostly before establishing robust data governance frameworks such as data protection and cybersecurity laws (ECA, 2024). These challenges – which put vulnerable groups such as ethnic minorities and women at risk of exclusion – have hindered the implementation of safe, inclusive, and sustainable digital identification systems.

Population with legal identity



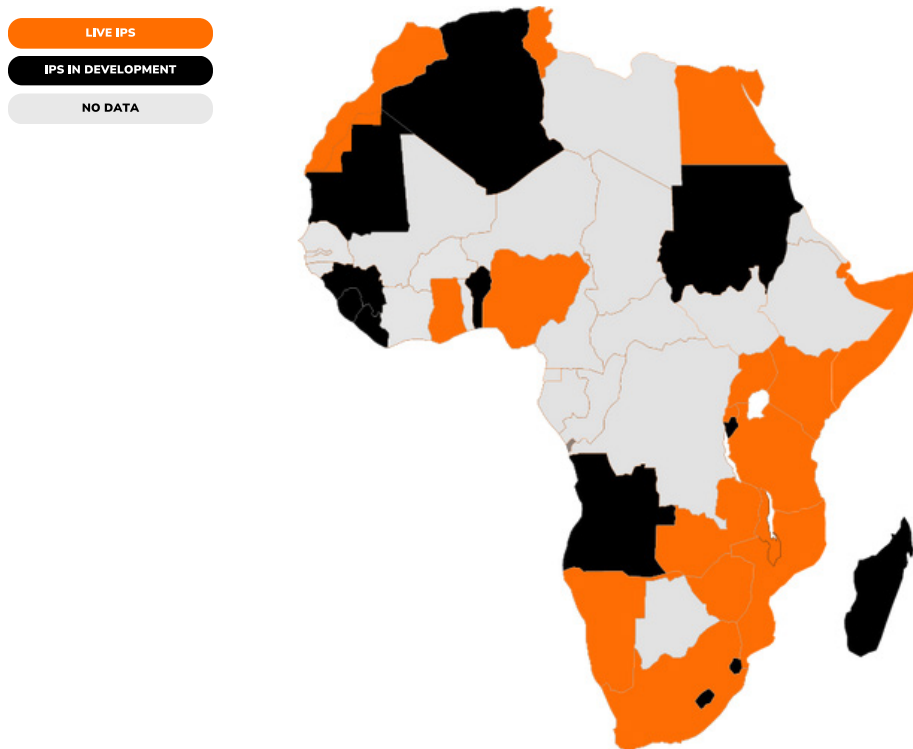
Sources: Digital Banking in Sub Saharan Africa (2022), BPC and FinCog (2022), World Bank (2022)

Digital Payments

Ensuring inter-operability through instant payment systems

Africa has seen a **notable expansion in its instant payment systems (IPS)** landscape since 2022. The three recent IPS introduced were: EthSwitch in Ethiopia, Virement Instantané in Morocco, and PayShap in South Africa. With these additions, the total number of operational, public IPS across Africa reached 32. Out of 32 IPS, 29 are domestic systems spread across 21 countries, as well as three regional systems. This growth reflects the continent's ongoing efforts to enhance its digital payment infrastructure and promote economic inclusion.

African Instant Payment System Map, 2023



Source: AfricaNenda Foundation (2023)

These systems enable seamless interoperability between various financial entities, including traditional banks and mobile money operators. **Out of the 32 operational IPS in Africa, 14 have embraced this cross-domain model, allowing for comprehensive all-to-all interoperability.** Meanwhile, 10 systems remain primarily bank-focused, serving traditional financial institutions, and 7 systems are specifically tailored for mobile money operators as the primary payment service providers. **During 2022 and 2023, these systems collectively processed an impressive volume of nearly 32 billion transactions** (AfricaNenda, 2023).

“It is key to leverage the positive progress that African markets have made in implementing new instant payment systems to ensure the realisation of an African digital single market.”

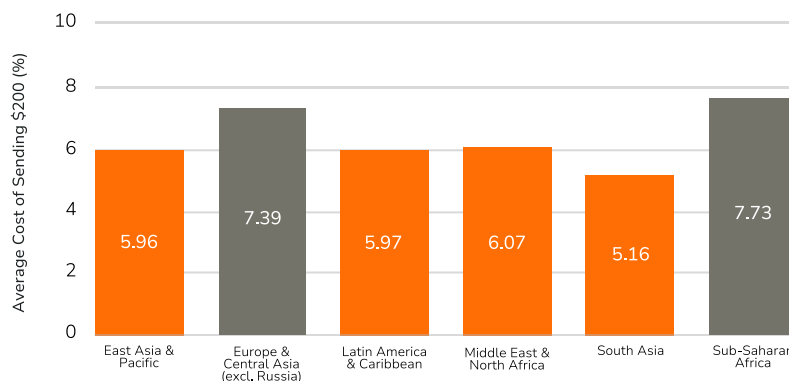
This **shift towards cross-domain systems** reflects a broader trend in Africa's FinTech sector, aiming to create a **more inclusive and interconnected payment ecosystem**. According to AfricaNenda's State of Inclusive Instant Payment Systems (SIIPS) in Africa 2023 Report, seven countries in the continent - Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa, and Tanzania - have implemented various instant payment systems. However, **only Ghana stands out as the only nation where two wallets are fully interoperable with each other**. By bridging this gap, these systems can advance financial inclusion and digital economic integration across the continent.

Challenges with cross-border payments

In 2022, an estimated **40 million Africans** living outside their home countries remitted a total of about **US\$100 billion** through various channels. Of this amount, **US\$19.4 billion** was transferred within Africa, highlighting the importance of intra-continental financial flows. The countries receiving the highest volumes of these cross-border payments were Egypt, Nigeria, Morocco, South Africa, Kenya, Ghana, South Sudan, Mozambique, Rwanda, and Ethiopia.

In 2022, World Bank's data revealed that **transferring \$200 to African countries** incurred an average cost of **8.5% of the total amount**, while the global average for such transfers was below **6.25%**. This fee can be as high as 20% in some African countries, namely Angola, Botswana, and Namibia. **Over 80% of intra-African payments were routed through Europe or the US**, resulting in high compliance and transaction fees¹⁴.

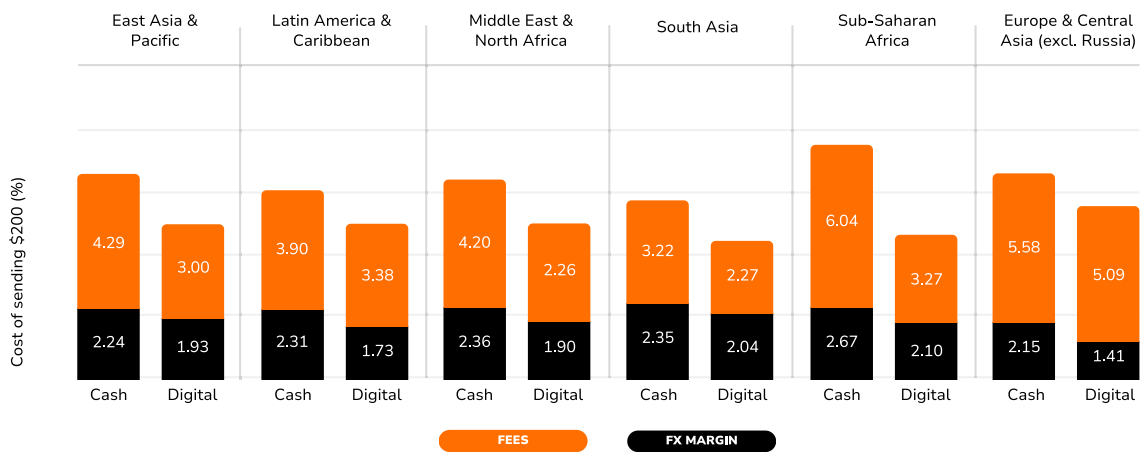
Average Costs of Sending 200\$, by region, Q1 2024



Source: Remittance prices Worldwide Quarterly, World Bank Group (March 2024)

Breaking the costs for cash and digital remittances into two parts: fees and FX margin reveals **that fees make up a larger part of cash remittances to Sub-Saharan Africa**. It is more expensive to use cash compared to digital money, a **common pattern observed across all regions** (WBG, 2024).

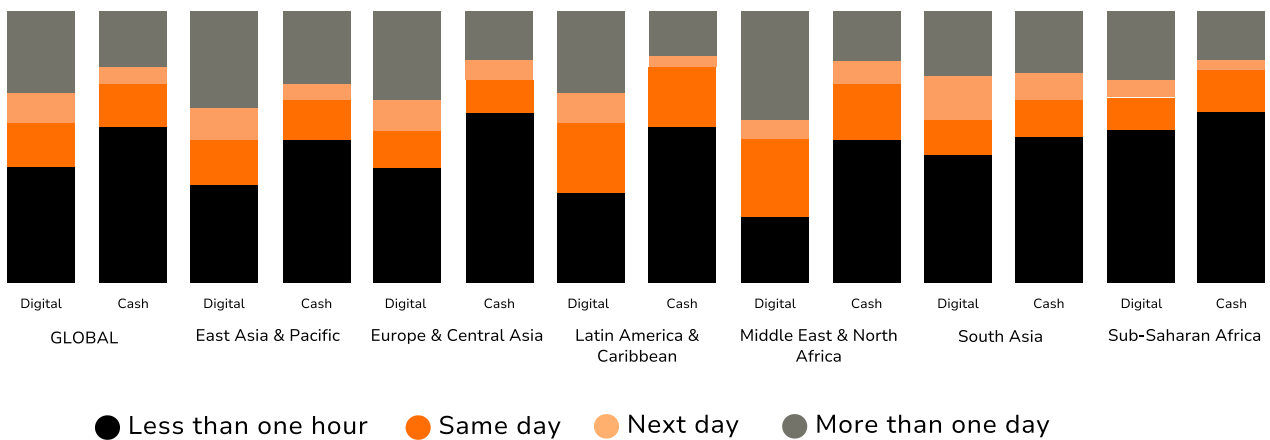
Average costs by region: cash vs digital services, by region, Q1 2024



Source: Remittance Prices Worldwide Quarterly, World Bank Group (March 2024)

Another challenge is the speed of transactions through cash and digital channels. Among all regions, **the speed of transactions by cash is the slowest in SSA**.

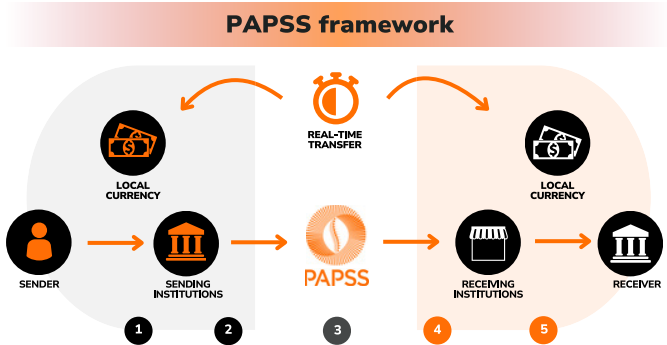
Speed of Sending Remittances, by Region, cash vs digital services, Q1 2024



Source: Remittance Prices Worldwide Quarterly, World Bank Group (March 2024)

The Pan-African Payment and PAPSS framework Settlement System (PAPSS) (an initiative of the African Export-Import Bank and AfCFTA), aims to support cross-border trade and to facilitate the expected increasing volume of cross-border payments.

As of May 2024, 13 central banks in Africa have signed the agreement. PAPSS aims to eliminate the need to rely on intermediary currencies such as the dollar, euro, or pound. However, this initiative is still in its early stages and needs widespread adoption.



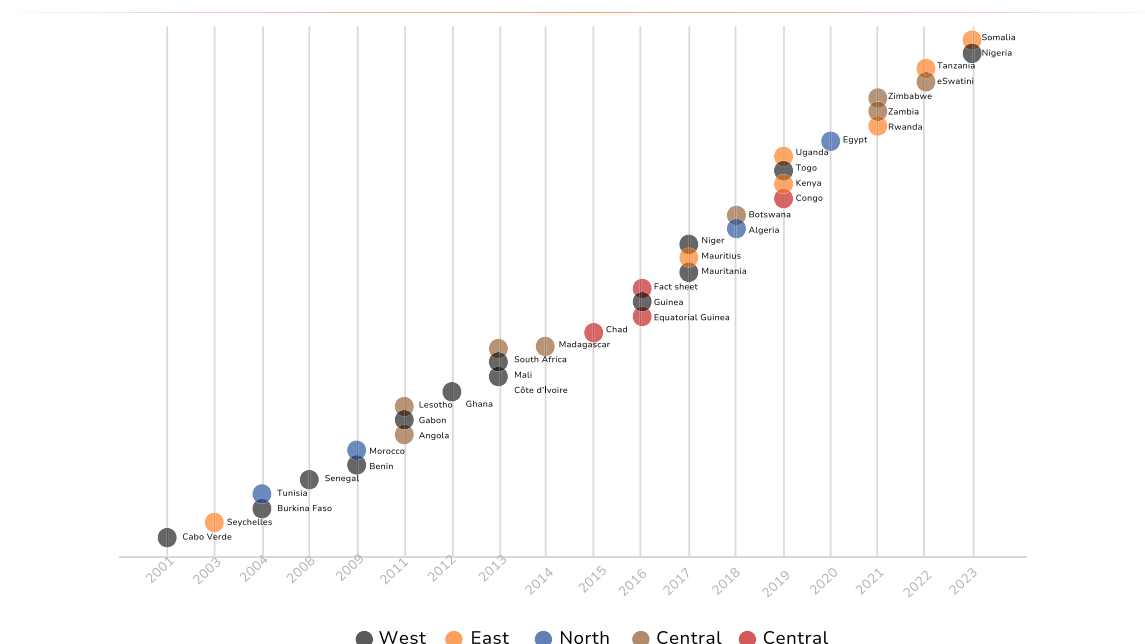
Source: PAPSS

“PAPSS has successfully completed a pilot phase in the West African Monetary Zone countries and is poised to financially connect the continent.”

Ravi Menin, Singapore's Ambassador for Climate Action and Senior Adviser,
 National Climate Change Secretariat (NCCS)
 3i Africa Summit, May 2024

Digital Data Exchange

African countries are at relatively early stages in regulating data privacy and transfer. As of January 2024, **36 African countries have enacted data protection legislation laws¹⁵, and three countries – Ethiopia, Namibia, and Malawi, have a draft law under consideration.** During the last ten years, number of data protection laws in Africa has increased more than twofold, with 33% of these laws being implemented in just the past half-decade.



Source: Data Protection Africa, 2023

Policy Initiatives to Support New Technologies

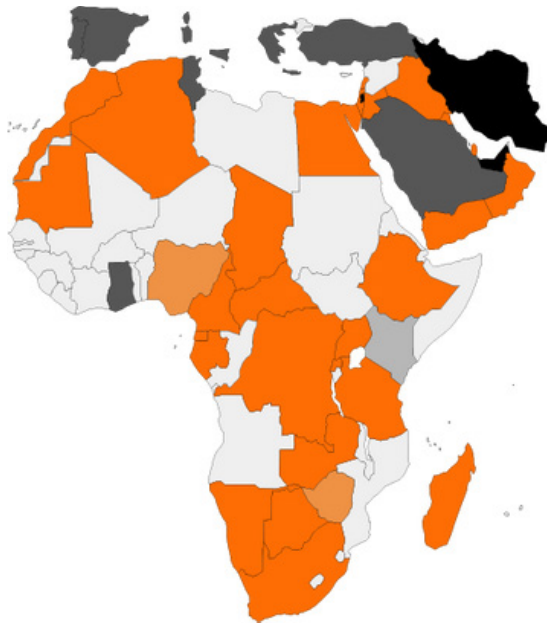
Digital Assets

Central Bank Digital Currencies

A survey of central banks in sub-Saharan Africa in March 2024 revealed that **75% of the surveyed countries are either already involved in or planning to engage in CBDC research or pilot programs**. Among these, approximately 67% are in the research phase, while slightly more than one-third aim to complete their CBDC pilot programs within the next two years. Notably, **more than 25% of the surveyed countries are actively preparing to launch a CBDC by 2028** (IMF, 2024). This research indicates a growing trend towards CBDC exploration and implementation in the SSA region, with a significant portion of countries moving beyond research to a more concrete development stage.

Status of CBDCs across Africa, June 2024

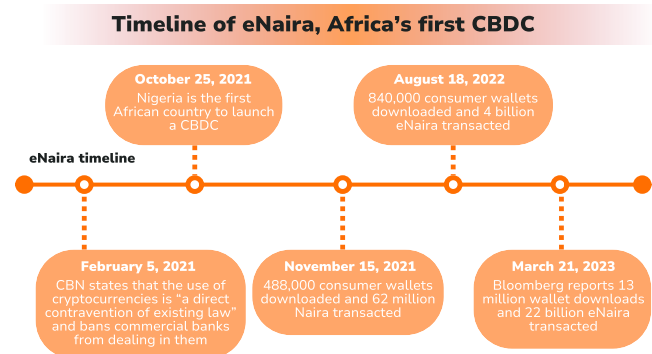
Cancelled Research Proof of concept Pilot Launched



Source: Central Bank Digital Currency Tracker, (cbdctracker.org)

Nigeria's CBDC, the **eNaira**, is the **first CBDC launched in Africa, issued and regulated by the Central Bank of Nigeria (CBN) as legal tender**. The **eCedi** (in pilot phase as of May 2024), is Ghana's central bank digital currency (CBDC) initiative, developed by the Bank of Ghana to modernize the country's financial system and promote financial inclusion. The CBDC is implemented as part of the 'Digital Ghana Agenda', aimed at digitizing the government services of 30 million people in the country.

As of April 2024, Zimbabwe launched its CBDC, ZiG, anchored to gold and other hard assets. The Reserve Bank of Zimbabwe stated that the bank aims to recalibrate its monetary policy framework to anchor price and exchange rate stability and to boost confidence in the local currency.



Source: FinTech in Africa, A Thriving Opportunity, FTPartners Research (March 2024)

Tokenization and stablecoins

In a blog, Infosys referred to tokenized deposits as the **'game-changer in the financial industry'** pertaining to its potential to revolutionize traditional banking practices. Tokenized deposits are traditional bank deposits converted into digital tokens using blockchain technology.

Tokenized assets provide an opportunity for SMEs and individuals to unlock new potential in the African region through fractional ownership¹⁶. Asset tokenization makes transactions between two entities, individuals, and businesses seamless without needing a third party to facilitate those transactions, thereby, eliminating transaction (or third-party) fees. Tokenized deposits and assets can eventually change how people manage their savings and investments for wealth creation with enlarged flexibility. For instance, in the digital economy with tokenized assets, investors are not tied down by limited trading hours of a country's exchange, as trades will be settled instantaneously on various decentralized exchanges. An important feature of these digital tokens is fractional ownership similar to cryptocurrencies, as these can be owned in fractions without needing a minimum amount as opposed to traditional assets. An added advantage is the security and transparency that these tokens offer. With more money comes a greater risk of losing money to fraud and scams, digital tokens overcome this fear by an added layer of security as transactions using blockchain technology are recorded on an immutable ledger.

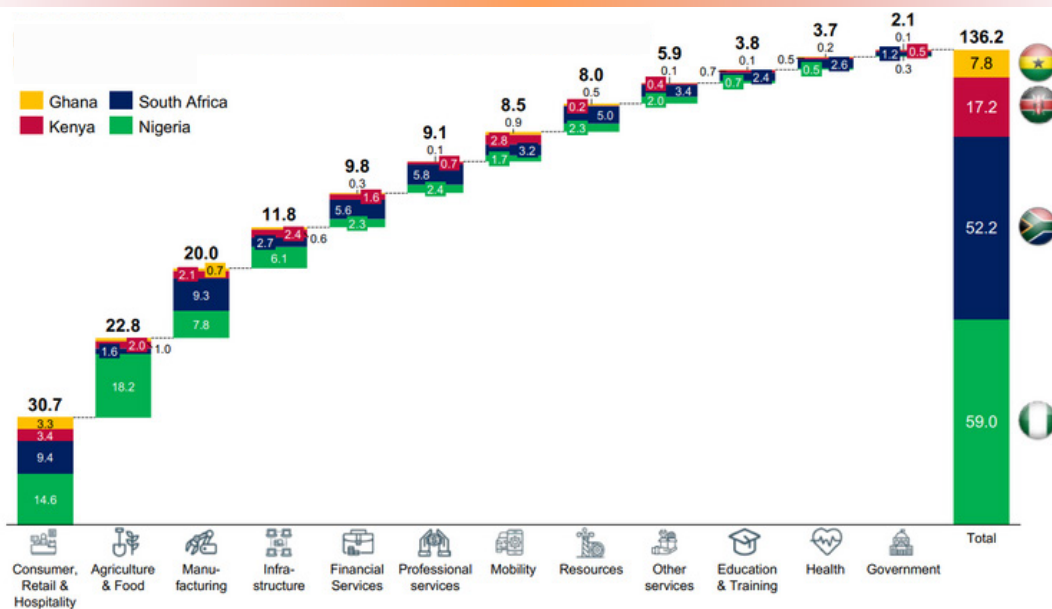
Stablecoins have emerged as an alternative to cryptocurrencies which are highly volatile and are heavily influenced by market sentiments. The depreciation of African currencies against major currencies makes a use case for the adoption of stablecoins¹⁷. The stability and less volatile nature of stablecoins could potentially protect African investors from losing value to inflation and devaluation of currencies.

To conclude, an advancement of digital infrastructure will encourage gender equality and economic inclusion in Africa. Although, lack of infrastructure, uncertain regulatory framework, regional divide, technical shortages impose significant barriers.

Artificial Intelligence (AI)

Africa could reap the benefits of AI in the medium and long term. Recent research has suggested that the adoption of AI technology can potentially add up to US\$15.7 trillion to the global economy by 2030, out of which around **US\$1.2 trillion can be generated from Africa**. This could represent approximately 5.6% of the continent's GDP by 2030. Furthermore, estimates show that AI could double Africa's GDP growth rates by 2035. It is estimated that four African countries alone—**Nigeria, Ghana, Kenya, and South Africa**— could see up to **US\$136 billion worth of economic benefits by 2030** if businesses there began using more AI tools.

Potential annual economic value from AI applications (by sector) in Sub-Saharan Africa in, (US\$ billion, 2030)



Source: Regional Economic Outlook, International Monetary Fund (April 2024)

AI technologies are also playing a crucial role in facilitating the transition to clean energy (SDG 7) while simultaneously enhancing the efficiency of existing power systems. Two companies exemplifying this trend are **Arnergy in Nigeria** and **Nithio, operating in both Kenya and Nigeria, which employ AI algorithms to optimize the management of solar energy storage and distribution, thereby maximizing energy consumption efficiency**. Meanwhile, Nithio uses AI to assess household credit risk and forecast demand for energy solutions, enabling more effective planning and implementation of renewable energy projects¹⁸. These applications demonstrate how AI can be harnessed to improve energy access, manage resources more effectively, and support the adoption of sustainable energy solutions in developing markets, especially in Africa.

"I truly believe that AI is a technology that will benefit Africa more than any other continent in the world."

Wamkele Mene, Secretary General, AfCFTA. May 2024, 3i Africa Summit, Ghana

In February 2024, the African Union (AU) Development Agency published a draft policy that envisions an Africa-centric path for the development and regulation of these emerging AI technologies. The policy is slated for endorsement by African heads of government at the AU’s annual summit in Addis Ababa, Ethiopia, in February 2025. This **continental AI strategy’s purpose is twofold: it provides a framework for countries without existing AI policies to develop their own while encouraging nations with established policies to align them with the AU’s overarching vision.** This initiative aims to create a cohesive and uniquely African approach to AI development and regulation across the continent, fostering collaboration and consistency among AU member states in addressing the opportunities and challenges presented by artificial intelligence.

Another initiative in the continent is the **SMART Africa Blueprint framework. The framework is led by the South African government.** It was developed through a collaborative, continent-wide process involving multiple stakeholders. The blueprint incorporates input from SMART Africa member countries, civil society organizations, academic institutions, and private sector entities. Its **primary objectives are to enhance technical expertise in AI, reduce barriers to entry for AI adoption, and establish suitable policy frameworks for AI governance.**

Many countries, namely Zambia, Tunisia, and Ghana, are working with SMART Africa in line with South Africa to develop national AI strategies.

AI National Strategies in African countries

Country	Timeline
Mauritius	First country on the continent to publish a National AI Strategy (2018)
Egypt	Published its National AI Strategy Report in 2021, which was to be executed over a period of three to five years,
Rwanda	Released its National AI Policy in April 2023. Aims to establish Rwanda as a global centre for AI research and innovation, in addition to leverage AI to drive economic growth.
Senegal	Adopted a National AI strategy in late 2023. The policy aims to train around 1 million citizens in data science by 2028. The country aims to emerge as a leader in AI skills in the West African region.
Benin	Adopted its National AI and big data strategy in 2023. Benin’s strategy aims to transform the country by 2027 into a leader in leveraging big data through AI systems and technologies while developing the necessary expertise. The ambitious plan is structured around four key programs, implemented in three phases over a five-year period.

Reduced FinTech Funding in H1 2024

In H1 2024, around 60 Fintech startups across Africa raised approximately US\$ 340 million in equity and debt, over 66 transactions. This represented a decline of approximately 70% compared to the same period in 2023¹⁹. However, the number of fintech deals announced showed more resilience, with only a 24% decrease relative to the first half of 2023.

January – June 2024 Africa Fintech Deal Summary

TOTAL FUNDING

\$340M

▼ -69% YoY

66 DEALS

▼ -24% YoY

EQUITY FUNDING

\$221M

▼ -64% YoY

57 DEALS

▼ -21% YoY

DEBT FUNDING

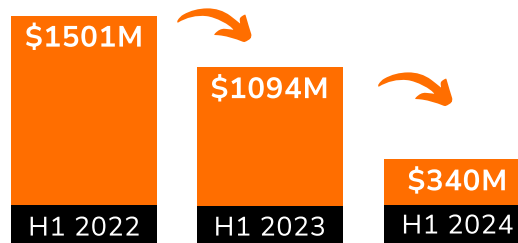
\$119M

▼ -75% YoY

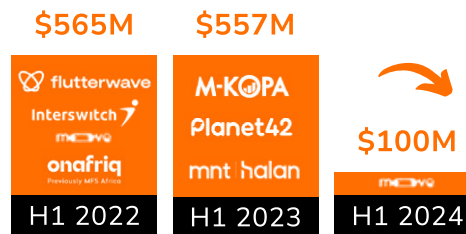
9 DEALS

▼ -40% YoY

THREE-YEAR TOTAL FUNDING TREND

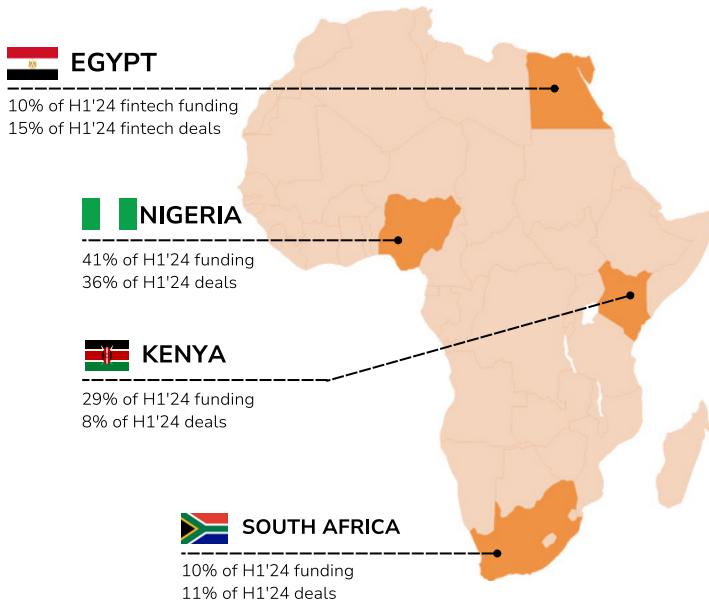


\$100M+ FINTECH MEGA-ROUNDS



Excludes securitized bond issuances

REGIONAL FUNDING BREAKDOWN



TOTAL H1 2024 FINTECH FUNDING BY COUNTRY

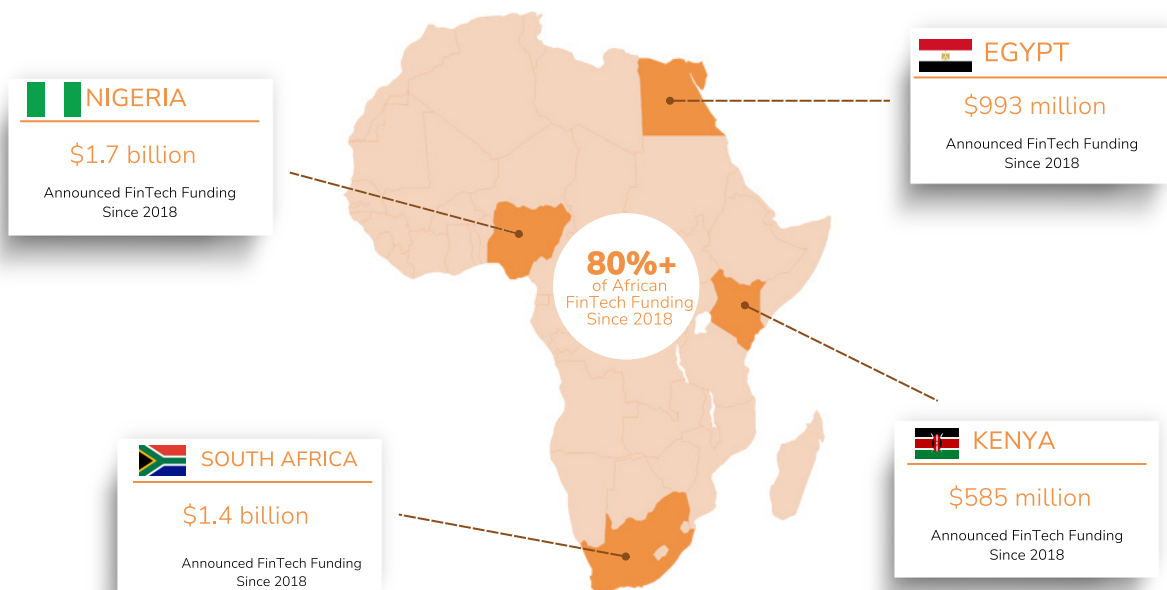
	\$M	DEALS
1 Nigeria	140	24
2 Kenya	97	5
3 Egypt	35	10
4 South Africa	34	7
5 Ghana	10	4
6 Sudan	10	2
7 Cameroon	5	2
8 Tanzania	4	3
9 Morocco	3	3
10 Zimbabwe	1	1
11 Senegal	1	1
12 Mozambique	*	1
13 Uganda	*	3

Note: Funding amounts not disclosed for H1 2024 deals in Mozambique & Uganda

Source: AfriDigest (July 2024)

The “Big Four” – Nigeria, Kenya, South Africa, and Egypt continued to dominate the FinTech Startup funding in Africa in H1 2024. Nigeria received the highest deal value of US\$140 million from a total of 24 deals in H1 2024, followed by Kenya– funding of US\$97 million from 5 deals.

FinTech in Africa since 2018



Source: FinTech in Africa: A Thriving Opportunity, FT Partners (March 2024)

Capital Investment Is Predominantly Foreign

The top three institutional investors during H1 2024 were **Y Combinator, Musha Ventures, and the IFC** (all three headquartered in the United States) Historically, the majority of venture capital coming into Africa (89%) is foreign²⁰.

This reliance on foreign capital is seen across the funding stages, 5 out of the top 10 most active investors at the seed stage are from the United States as of the first half of 2024.

Only three VC funds (from Nigeria) - Future Africa, Ventures Platform, and GreenHouse Capital emerged as investors in the seed stage. South Africa's Leapfrog and Tana Africa Capital are the only Private Equity African investors in the last stages.

Investors landscape as of June 2024

	Investor Name	Investors Type	No. of Rounds (as of June 2024)	Investor HQ
Seed Stage	Y-Combinator	Accelerators & Incubators	13	US
	500 Global	Accelerators & Incubators	5	US
	Musha ventures	VC	4	US
Early Stage (Series A)	Tiger Global Management	VC	3	US
	Partech Partners	PE	3	France
	Qunoa	VC	3	US
Early Stage (Series B)	British international Investment	PE	4	UK
	Tencent	Institutional	4	China
	IFC	Institutional	3	US
Late Stage (Series C)	Endeavor	Accelerators & Incubators	2	US
	Musha ventures	VC	1	US
	British international Investment	PE	1	UK
Late Stage (Series D)	Visa	Institutional	2	US
	Latitude	Institutional	1	UK
	LocalGlobe	VC	1	UK
Late Stage (Series E)	LeapFrog Investments	PE	1	South Africa
	Tana Africa Capital	PE	1	South Africa

Source: FinTech in Africa, A Thriving Opportunity, FTPartners Research (March 2024)



In Q2'2024, Africa saw 24 FinTech deals amounting to a valuation of US\$38 million¹⁹. The only M&A exit in the continent was in South Africa during Q2- 2024, where Adumo was acquired by Lesaka for US\$85 million.

There have been concentrated efforts by African Governments as well as global multi-laterals to provide local capital to support innovation. The Bank of Ghana recently announced plans for the establishment of a FinTech Innovation Fund on 26 February 2024. Similarly, the Central Bank of Egypt launched a FinTechfocussed fund (US\$150 million) in 2022. In April 2023, the African Development Bank signed a grant agreement with Africa FinTech Network (AFN) of US\$525,000 for setting up a digital platform the Africa FinTech Hub.

The UNDP's 'Timbuktoo' financing project, aims to invest US\$1 billion in catalytic and commercial capital over 10 years to build a distributed innovation network of eight pan-African hubs, located in key ecosystems from Cairo to Cape Town, Dakar to Nairobi²⁰. The project aims to establish hubs in educational technology (EdTech), financial service technology (FinTech), health technology (HealthTech), and agricultural technology (AgriTech) sectors. The ecosystem development approach maximizes the private sector's contribution to the Sustainable Development Goals (SDGs), fostering a conducive environment for digital entrepreneurship. The UNDP kickstarted the programme by opening their first facility in Lagos in early July 2024.

"Africa is the birthplace of ideas that unite the world. Our innovators are tackling the most pressing global issues. Timbuktoo is about reimagining development and investing in young talent. I invite everyone to view Africa through a lens of opportunity."

Ms. Ahunna Eziakonwa, UN Assistant Administrator and
UNDP Regional Director for Africa



Local Capital Market Infrastructure

Stock exchanges in Africa are still illiquid and highly fragmented with weak regulation (BCG, 2024). Stronger linkages among these could help drive more capital in the markets and ensure continued progress towards capital markets maturity.

Current linkages are primarily regional. The pan-African approach of the African Exchanges Linkages Project is an ambitious attempt to address this challenge, however, it is in its early stages: This initiative, launched in 2018, aims to connect 7 major African exchanges (BRVM, Casablanca, Johannesburg, Egyptian, Nigerian and Mauritius) for cross-border trading.

“The AELP is also a useful complement to Africa’s major integration projects, notably the AfCFTA and the Pan-African Payment & Settlement System (PAPSS). On the medium term, the platform will onboard additional stock exchanges. On a medium and long-term vision, the AELP will reach two other phases. The second is single licensing for brokers who can go directly to any market on the continent. The third phase will be one in which African states, institutions and businesses will be able to raise resources on an African scale whatever their country of location. The continent’s savings would serve the whole of Africa. In addition, this phase will lead to the creation of a pan-African stock exchange that can be competitive and comparable to the stock markets existing in other continents.”

Mr. Edoh Kossi Amenounve, Sponsor AELP

As Africa continues to embrace digital transformation, the fintech sector is wellpositioned to play a crucial role in driving financial inclusion, economic growth, and innovation across the continent.

The paper highlights the following key trends and opportunities:

1. **Economic Growth:** Africa is projected to be the world's second-fastest growingregion in 2024, with an anticipated real GDP growth of 3.7%, surpassing the global average.
2. **Demographic Dividend:** With the world's fastest-growing population and a median age of just 18.8 years, Africa is set to contribute 90% of the global labor force in the coming years.
3. **Mobile Money Leadership:** Africa accounts for nearly half of the world's mobile money users, laying the groundwork for a comprehensive fintech ecosystem.
4. **SME Empowerment:** SMEs, which contribute significantly to employment and GDP, stand to benefit greatly from increased access to digital financial services.
5. **Financial Inclusion:** While about 50% of Africa's population remained un/underbanked in 2022, the rapid adoption of mobile money and increasing smartphone penetration offer promising avenues for inclusion.
6. **Policy Initiatives:** Efforts like the AfCFTA, digital public infrastructure developments, and supportive regulatory environments are creating a more conducive landscape for fintech growth.
7. **Cross-Border payments:** With the largest costs of remittances in the region, policymakers and regulators must target policies on cross-border payment challenges.

Despite significant improvements, challenges remain to be addressed. These include the need for sustainable business models, navigating complex regulatory landscapes, addressing the digital skills gap, adopting new emerging technologies, and integrating those with the financial sector. The informal economy's prevalence also presents both challenges and opportunities for FinTech innovation. The coming years will likely see increased investment, policy harmonization, a more supportive regulatory framework, and the emergence of innovative solutions tailored to Africa's unique needs and opportunities.



Monday, August 26			Tuesday, August 27	
Morning	Leadership Dialogues		Startup Founders Day ft. The Founders Peak™	Talent & Careers Track
Afternoon	The Capital Meets Policy Dialogue™	Public-private Roundtables & Workshops		FinTech Without Borders Track

Leadership Dialogues – Spotlight on Digital Inclusion, Policy & Regulation, Inclusive Payments & Digital Assets, Capital Market Stability.

The Capital Meets Policy Dialogue - Influential policymakers and investors will debate pressing challenges in capital investment, value creation, and policymaking.

The Amazing Startups Day - A catalyst for igniting entrepreneurial endeavors and accelerating startup success rates across Africa and beyond.

Proudly returning to Rwanda, **The Founders Peak™** is a global platform where exceptional startup founders connect, inspire, and empower the next generation of entrepreneurs. Hear local and international founders boldly share pivotal moments and untold stories from their entrepreneurial journeys—tales of grit, determination, and the unwavering pursuit of solving problems.

Talent & Careers Track - Explore opportunities and strategies for building and advancing careers in the evolving fintech landscape.

FinTech Without Borders Track - Discover how fintech innovations are transcending borders to create inclusive financial solutions

Public-private Roundtables - Deep-dive roundtables between policymakers, regulators & the private sector addressing opportunities & challenges with a goal to drive actionable outcomes.



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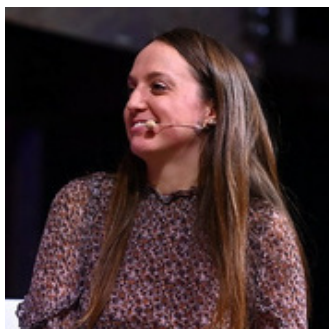
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