Addis Ababa University College of Commerce

By: Zerihun Achalu Tolerra

MACRO FINANCIAL SECTOR ASSESSMENT FOR CASH-BASED TRANSFER INTERVENTIONS IN ETHIOPIA

Advisor: Fesseha Afewerk (As.Professor)

November 2018
Addis Ababa

Addis Ababa University College of Commerce

MACRO FINANCIAL SECTOR ASSESSMENT FOR CASH-BASED TRANSFER INTERVENTIONS IN ETHIOPIA

By: Zerihun Achalu Tolerra

A Project Work Submitted to Graduate Studies of Addis Ababa University College of Commerce in Partial Fulfilment of the Requirements for the Degree of Master of Project Management

Advisor: Fesseha Afewerk (As.Professor)

November 2018
Addis Ababa

DECLARATION

I, Zerihun Achalu, hereby declare that the project work entitled "**Macro Financial Sector Assessment for Cash-Based Transfer Interventions in Ethiopia"** is my own original work and has not been submitted for any degree in any other university. It is offered for the award of the degree of Master of Project Management from Addis Ababa University.

Name: **Zerihun Achalu** *Advisor Name:* **Fesseha Afewerk (As. Professor)**

Signature: ______________________ *Signature:* ______________________

ENDORSEMENT

This is to certify that the project work prepared by Zerihun Achalu entitled: **Macro Financial Sector Assessment for Cash-Based Transfer Interventions in Ethiopia** and submitted in partial fulfillment of the requirements for the degree of Master of Project Management complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

Approved by:

Internal Examiner: Dr. Abdurezak Mohammed Signature ________ Date_________

External Examiner: Dr. Dereje T Signature ________ Date_________

Advisor: Fesseha Afewerk (As. Professor) Signature ________ Date_________

ACKNOWLEDGEMENTS

My heartfelt thanks after the Almighty God to Ato Fesseha Afewerk (As. Professor), my advisor, for his dedicated intellectual support and devoted expert advice by making himself always available for help during the preparation of this project work.

LIST OF ACRONYMS USED

AML	Anti-Money Laundering
ARRA	Administration for Refugees & Returnees Affairs
ATM	Automatic Teller Machine
BIS	Bank of International Settlement
CB	Commercial bank
CBT	Cash Based Transfer
CFT	Combating the Financing of Terrorism
DAG	Development Assistance Group Ethiopia
EPSE	Ethiopian Postal Service Enterprise
ETB	Ethiopian Birr
FSP	Financial Service Provider
GHI	Global Hunger Index
GPFI	Global Partnership for Financial Inclusion
GTP II	Growth and Transformation Plan II
HDI	Human Development Index
IMF	International Monetary Fund
MaFA	Macro Financial Assessment
MFI	Microfinance Institution
MiFA	Micro Financial Assessment
NBE	National Bank of Ethiopia
NDRM	National Disaster Risk Management
NGO	Non-Governmental Organization
NHDIR	National Human Development Index Report
PB	Private Bank
POS	Point of Sale
PUB	Public Bank
RTGS	Real-time Gross Settlement system
UNDP	United Nations Development Program
USD	United States Dollar
WBFSA	World Bank's Financial Sector Assessment Handbook

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

Displacements due to conflict along the borders of the regions of Ethiopia together with recurring drought has left millions of the Ethiopian population requiring emergency food assistance. Ethiopia is also hosting hundreds of thousands of refugees from its neighbours. In collaboration with aid agencies, Ethiopia supports its vulnerable population in saving lives with food assistance to empower women, transform areas affected by natural and man-made disasters and keep children in school. Currently, Ethiopia is increasingly combining traditional food assistance with Cash-Based Transfer (CBT). In CBT intervention, the role of Financial Service Providers (FSP) is paramount to reach beneficiaries through cash benefit. Many research works were carried out on cash intervention programmes in Ethiopia. However, much focus has not been given to assess the extent to which the FSP in Ethiopia can support the cash benefit distribution. The financial sector in Ethiopia is emerging and developing in terms of service offer coverage, competition, and technological advancement. In this respect, the country and the humanitarian organizations engaged in CBT may face challenges if their CBT intervention doesn't consider the context of Ethiopia's FSP. The purpose of this Macro Financial Assessment (MaFA) is, therefore, to assess the country's financial capacity to support cash based transfer programme in the country. The study adopted descriptive research type and involved collection of secondary data through guidance by the World Bank's Financial Sector Assessment, the Bank of International Settlement, the International Monetary Fund (IMF) and the Global Partnership for Financial Inclusion (GPFI). The focus of the assessments are: Government Supervision, Ease of Entry, Competition, Consumer Protection, and Financial Inclusion. The assessment results showed that government supervision scored the highest; competition and consumer protection scored medium while ease of entry and financial inclusions resulted in low scoring. Overall, based on the information currently available and highlighted in this report, Ethiopia is given **Medium score** indicating the sector's feasibility for CBI. Based on the present study, it is recommended that the CBI in the country need to start from small to medium scale with subsequent expansion to the large scale on gaining experience and lessons.

Key Words: Macro Financial Sector Assessment, financial service providers

Table of Contents

1 Contents

CHAPTER ONE

1 INTRODUCTION

1.1 Background

According to World Bank (2018) , Ethiopia is the second most populous country in Sub-Saharan African region next to Nigeria with varied terrain and ethnic groups. Currently Ethiopia is among the few fastest growing countries in the world with an average GDP growth of 10.3% compared to a regional average of 5.4%. However, Ethiopia is one of the poorest county with GDP per capita stood at US$783. The economy is mainly led by agriculture which is dependent on seasonal rainfall. The government has the intention to move the country to an industry led economy to achieve the goal of becoming lower-middle-income country by 2025. On the other hand, according to a report by USAID (2018), the prolonged and severe drought in 2016/2017, followed by heavy seasonal rainfall and flooding during the March–May 2018 belg rains, has left about 7.9 million people requiring emergency food assistance. In addition to this, Ethiopia is currently hosting more than 905,000 refugees from from South Sudan, Somalia and Eritrea.

In its ongoing food assistance efforts, Ethiopia has implemented several projects to strengthen the resilience of its most vulnerable regions. In collaboration with aid agencies and financial service providers together with its government organs mainly dedicated in this area (National Disaster Risk Management (NDRM) and the Administration for Refugee and Returnee Affairs (ARRA), and Ministry of Agriculture), Ethiopia supports its vulnerable population in saving lives with an array of programmes that use food assistance to empower women, transform areas affected by climate change and keep children in school. Currently, Ethiopia is increasingly combining traditional food assistance with Cash-Based Transfer (CBT) modalities. According to a status update by Ethiopia's Humanitarian Requirements Document (HRD) (2017), in an effort to streamline the food security response, a national integrated food-cash relief plan has been prepared under the leadership of the National Disaster Risk Management Commission (NDRMC) and with support from the Federal Ministry of Agriculture, the World Food Programme, the JEOP (US-funded NGO consortium), the World Bank, other international organizations. The plan represents an integrated and prioritized approach to delivering relief food and cash to overall total of 12.5 million beneficiaries.

Mattinen and Ogden (2006, p. 298-299) found that commodity distributions, the predominant relief response, are subject to growing criticism, while donors and humanitarian actors increasingly see cash-based interventions as an alternative or a complement to existing commodity-based emergency responses, to meet immediate food or other basic needs as well as to enhance the recovery of livelihoods. Cash as a relief response offers wide-reaching possibilities for the future from both the perspective of the donors and the standpoint of the beneficiary. It enables the beneficiaries to take control of the relief themselves and to adapt it to their individual requirements. In general, it is often assumed that cash-based interventions are suitable in relatively well-developed and peaceful contexts, where banking systems are functional and effective (Harvey, 2005).

In this humanitarian intervention process, the role of financial service providers is paramount to reach the beneficiaries with cash benefits. As indicated by Harvey (2007, p. 81), the use of banks and other financial institutions potentially reduces the security and corruption risks associated with cash transfers. Where banks do not exist, aid agencies have been able to use a variety of innovative delivery mechanisms, including mobile banking services, subcontracted security companies and remittance and money transfer companies (Ali *et al*. 2005). According to a final report by Humanitarian Policy Group (hpg) (2007) titled "Learning from cash responses to the tsunami", agencies should make greater efforts to explore collaboration with the private sector to make cash transfers as efficient and risk-free as possible. A risk assessment is necessary before working with any new partner, including financial institutions. The Swiss Development Corporation's approach to collaborating with financial partners reflects the agency's professional approach to cash transfers in general. Financial expertise is required to assess the capacity of financial institutions. Cash transfers require expertise in market analysis, finance and administrative systems, and knowledge of the private financial sector. Per humanitarian aid systematic review (2016) and according to (Gairdner et al. 2011), the financial infrastructure that facilitates cash or voucher transfers is among the five basic enabling conditions that are required for cash-based approaches.

The purpose of this Macro Financial Assessment (MaFA) is therefore to provide a baseline overview of the Ethiopian financial sector and assess the country's financial technologies capacity and services available in the country to support the evergrowing dynamics of cash based transfer programme in the country and identify risks thereof and determine if the financial sector of the country is feasible for cash based intervention. This is the area where this project is concentrated that is assessing how effective is the Ethiopia's Financial Sector for the implementation of the cash based intervention (CBI) programmes in the country.

1.2 STATEMENT OF THE PROBLEM

The financial sector in Ethiopia is emerging and developing in terms of service coverage, competition, and technological advancement. According to a study titled "Can E-transfers promote Financial Inclusion in Emergencies: A Case Study from Ethiopia" Mercy Corps (2016), Ethiopia remains one of the least-banked countries in the world. In 2017, only 35% of adults (over the age of 15) have access to a financial account, compared to sub-Saharan Africa's average of 43%. Eighty percent of the population lives on rural smallholdings that can be ten kilometers or more from the nearest bank branch or ATM. In 2012, only three commercial bank branches were available for every 100,000 adults, 34.4% of which were located in the capital city, Addis Ababa. In rural pastoralist areas, up to 70% of households lack access to financial services and products. Ethiopia's protective regulation of the banking sector – closed to private operators until 1994 and still dominated by the government-owned Commercial Bank of Ethiopia – has played a role in low levels of financial access. Additional constraints have, until recently, included a lack of clear regulations to guide development of mobile banking and Islamic finance products. Encouragingly, guidance on both Islamic and mobile finance has been recently adopted, enabling development of new products in the country.

Mobile money: despite having one of the region's fastest growing economies, Ethiopia falls behind its neighbors in access to, and use of, mobile technology. In 2017, at 60%, it has one of the lowest rates of mobile penetration in East Africa compared to the African average of 75%, and it was also among the last countries in Africa to offer mobile banking services. These gaps can be partially attributed to Ethiopia's government monopoly on telecommunications and banking industries (foreign firms are barred from investing in the banking industry). The only mobile telecoms service provider is the 100% government-owned Ethiopia Telecommunications Corporation (ETC). In 2012, the National Bank of Ethiopia (NBE) issued a directive opening the door for mobile and agent banking. The regulations, however, restrict investments in banking and microfinance institution (MFI) sectors to Ethiopian nationals and require NBE to grant licenses for all mobile and agent banking products. As existing mobile banking technology providers are foreign, these restrictions prompted debates around appropriate revenue sharing models between MFIs, banks and technology providers, and delayed roll-out of mobile and agent banking models. A number of other barriers have also slowed the implementation of mobile banking, such as limited network coverage; low rates of access to formal IDs; and high rates of illiteracy. Additionally, the NBE has informally limited the maximum revenue sharing that mobile banking technology providers can have with banks and MFIs, and requires a hand over of their technology platforms to the operating bank within five years, further limiting non-Ethiopian commercial investment in the sector. As of 2014, World Bank figures revealed that only 3% of Ethiopian adults hold mobile financial accounts.

Sabates-Wheeler and Devereux (2010) for example studied the out come of cash transfers and high food prices on Ethiopia's Productive Safety Net Programme (PSNP). Accordingly, he presented that the imact of inflation on CBI and also described how non-emergency food aid was intended to phase out and the developmental potential of cash transfers in Ethiopia.

According to International Federation of Red Cross and Red Crescent Societies (2014), the first step to CBI is to conduct sectoral assessments (financial, IT and telecommunications, security) to identify: the type of providers and services available, the norms and policies regulating the sector, and their coverage, capacity, accountability and reliability of the financial sector.

Many scholars have carried out research works in the field of cash based programme in Ethiopia. However, having reviewed various articles and literatures in the area of cash based intervention in Ethiopia, the assessor has seen that much focus has not been given to assess the macro financial services of Ethiopia by giving due attention and priority to the MaFA as it is among basic enabling conditions that are required for cash-based interventions.

Therefore, study focusing on the assessment of MaFA Ethiopia in the context of CBI is highly needed to assess the extent of the support and counduciveness of Ethiopia's financial sector for ever expanding cash based intervention programme in the country and to determine how MaFA Ethiopia looks like for cash based transfer (CBT) implementation together with identifying the strength and weekness of the financial sector of Ethiopia for CBT implementation. The result of this assessment work which investigates and examines Ethiopia's financial sectors' institutional capacity and geographical coverage for implementing cash interventions is anticipated that it can be a good input which influence the decision to use cash aid as a tool and is also to be used as a base line for the country's financial assessment either by aid agencies or government for the purpose of CBI.

1.2 Research Questions

The main research questions that will be addressed in this assessment are:

- How is MaFA Ethiopia looks like in respect of CBT intervention?
- What are the strength and weaknesses of Ethiopia's financial service providers for CBI project compared to the standard and the region?
- How is the geographical coverage of Ethiopia's financial service providers looks like for CBI?
- To what extent is the Ethiopia's financial sector conducive for CBI?

1.4 OBJECTIVES

The general objective of this project is to assess macro financial sector of Ethiopia. When undertaking Cash-Based Transfer activities, partnershiping with financial service providers (FSPs) is a vital aspect of ensuring efficient and effective transfer of entitlements. The indicators in this assessment are therefore intended to provide the country with an overview of the context in which these Ethiopian FSPs operate in view of CBI programme in the country.

The specific objectives of the research work are to:

- Describe the current status of Ethiopia's FSP and capacity in view of CBI.
- How the relative strengths and weaknesses of the countries' financial sector.
- Present banks branches and ATMs', and also microfinancial institutions by region.
- Determine if the Ethiopia's financial sector is capable of supporting CBI in the country.

1.5 The Scope and Limitations of the Study

Due to the fact that this assessment is mainly targeting all banks, micro financial institutions, and postal offices among financial service providers in Ethiopia, the study doesn't cover the impact of the price fluctuations of the benefits on CBT intervention programme.

Due to the study concentrates on financial sector assessment as an enabling factors for CBI, physical cash distribution option is not considered in the study.

The main focus of the study is to assess the MaFA of Ethiopia, as such the assessment is geographically limited to financial service providers in Ethiopia though it does use regional and world wide data for comparison purpose.

As the area is relatively new and usually used by humanitarian organizations in scattered manner, there is unavailability of well documented universal works in the area of MaFA and, therefore, the study depend on websites and also partly because of the nature of the study.

1.6 Significance of the study

This assessment is believed to be a baseline for ongoing future macro financial sector analyses and a starting point for a micro financial sector analysis in Ethiopia. As the assessment is for the country of Ethiopia in general , it is believed to be used as a base and starting point for any humaterian organization working in Ethiopia and considering to the implementation of CBT. The aid agencies are therefore, adviced to consult the outcome of the study upon deciding CBI in the country and mainly before the commencement of CBI to see the feasibility of cash transfer given the outcome of this financial sector assessment of the country. It could also be used by the country as a supporting document and a starting point to work on should it require to advocate the CBT implementation in its all engagements with the donors, local and international NGOs for the humanitarian intervention needs by taking the provided information into account as it moves forward with Cash-based Transfer modalities, and to update it regularly to reflect any inevitable changes which will take place in Ethiopia's financial sector.

1.7 Ethical Considerations

According to Bryman and Bell (2011), the following points represent the most important principles related to ethical considerations and where I ensure the adherence to them accordingly: Research participants should not be subjected to harm in any ways whatsoever. Respect for the dignity of research participants should be prioritized by at least acknowledging. Adequate level of confidentiality of the research data should be ensured. Anonymity of individuals and organizations participating in the research has to be ensured and I have done this by not disclosing sensitive data of organizations and the country under study. Any deception or exaggeration about the aims and objectives of the research must be avoided and I have excluded undocumented knowledge. Maintenance of the highest level of objectivity in discussions and analyses throughout the research is required and the study is also adhered to this.

1.8 Conceptual Definitions

Cash Based Intervention: Cash assistance in humanitarian settings has been defined as “the provision of money to individuals or households, either as emergency relief intended to meet basic needs for food and non-food items or to buy assets essential for the recovery of livelihoods” (ECHO, 2009). This is similar to the definition of cash transfers in development programming, where cash-based assistance is used to help poor and vulnerable households meet basic needs by raising or smoothing incomes (Arnold, 2011). However, cash-based approaches in the context of humanitarian assistance can have multiple purposes and are generally provided alongside or as part of a range of other assistance programming to meet the needs of crisis- affected populations.

Unconditional Cash Transfers: Unconditional cash transfers are direct grants, or ‘pure cash’, with no conditions or work requirements. Transfers may be facilitated by bank transfer, mobile phone transfer, prepaid smartcard, or distribution of physical cash. The assumption underpinning unconditional cash transfers is that money will be used to meet basic needs or be invested in livelihoods. (CaLP, 2014).

There is no requirement to repay any money. Although recipients are entitled to use the money however they wish, unconditional cash transfer programmes may be designed to meet a specific need (sector-specific unconditional cash transfer programmes) or to cover a range of needs (multi-sector unconditional cash-transfer programmes). An example of an unconditional cash transfer would be a cash grant to a displaced household which could be used to replace household items that were lost in displacement, purchase food or acquire productive assets that could be used to restart livelihoods activities, or pay for healthcare or other services.

Conditional Cash Transfers: Conditional cash transfers require that recipients meet certain requirements before the transfer is fulfilled. Cash transfers with qualifying conditions are those given after the recipients have performed some task or activity as a condition of receiving the cash transfer (CaLP, 2014). Common qualifying conditions include performing physical labour to contribute to disaster clean-up efforts, public works or the creation of community assets (cash for work programmes); enrolling children in school or having them vaccinated; or attending a training course.

Vouchers: These are coupons, tokens or smartcards, which can only be used in particular shops and/or on particular items. Vouchers may be 'cash vouchers' which have a particular value, or 'commodity vouchers' which can be exchanged for a particular quantity of items regardless of price changes. Vouchers may or may not have eligibility conditions similar to conditional cash transfers (e.g. 'vouchers-for- work'), but always have use conditions by virtue of the fact that arrangements with vendors must be made to facilitate their exchange.

CHAPTER TWO

2 LITRATURE REVIEW

2.1 Introduction

In this section, the researcher has carried out a review of the works of various scholars in the area of macro financial sector assessments and related cash based interventions to obtain insights of the macro financial assessment (MaFA).

2.2 Purposes and Benefits of Cash based interventions

According to Mattinen and Ogden (2006), food aid may not be suitable when adequate food supplies are available in the intervention area or when a lack of food availability can be addressed through support of market systems (Sphere Project, 2004). Cash-based interventions also give more dignity to the beneficiaries and empower them to make their own final choices on the use of the cash distributed. Therefore, aid agencies have included cash as an alternative to food aid, to enable people to rebuild houses or find temporary shelter, as well as large-scale cash-for work and cash grants to enable people to rebuild their livelihoods (Adams and Winahyu 2006; Harvey 2007). Cash-based approaches have been used for development purposes for a number of decades, particularly within social protection interventions in low- and middle-income countries (Arnold, 2011). More recently, cash transfer programmes have been increasingly applied in humanitarian settings with the aim of supporting affected populations in meeting their basic needs or providing assistance for livelihoods recovery by providing purchasing power and stimulating demand (Creti & Jaspars, 2006). Cash-based approaches are now being used by multilateral organizations, national governments, international non- governmental organizations and national civil society groups for delivering assistance across all sectors, either on their own or in conjunction with in-kind provision of goods or services (Gairdner, Mandelik & Moberg, 2011).

2.3 Conditional and Unconditional Cash Based Interventions

Conditional Cash transfer programmes are also among cash transfer innovative approach to provide money to poor families conditional on investments on human capital, such as sending children to school, bringing them to health centers on a regular basis. This makes the social programme an instrument for longer term human capital investments as well as short term social assistance. For example, the Productive Safety Net Programme (PSNP) was launched by the Government of Ethiopia, with donor support, in January 2005. The PSNP aims to provide predictable transfers to meet predictable needs. Chronically food insecure households should receive support for 6 months each year for up to 5 years, bridging their annual food consumption gap, protecting their assets against distress sales and building their resilience against shocks. Transfers are delivered through two components. The 'Public Works Programme' provides temporary employment to the majority of PSNP participants (84% in 2008), on rural infrastructure projects such as road construction. 'Direct Support' delivers unconditional transfers to the minority of participants (16% in 2008).

2.4 The benefits of electronic delivery of cash transfer

According to as study titled "Cash Transfers Literature Review" DFID (2011), following the introduction of Cash Based Interventions, an increasing number of governments are switching to innovative mechanisms for electronic delivery of cash transfer payments to reduce costs and leakage, as well as promote financial inclusion of the poor (e.g. mobile phone technology in Kenya, debit cards in Mexico). Of 40 transfer programmes launched in the past decade, almost half (45 percent) feature electronic delivery of cash payments (Pickens, M. Porteous, D. and Rotman, S., 2009). In Brazil, switching to electronic benefit cards issued by a state-owned financial institution helped cut the administrative cost of delivering Bolsa Família grants nearly seven-fold, from 14.7 percent to 2.6 percent of grant value disbursed (Lindert, K., Linder, A., Hobbs, J. and de la Brière, B., 2007). The South African Social Security Administration (SASSA) saw its costs of delivering social transfers drop 62 percent (to less than US$2 per payment) after moving to bank accounts offered by the private banking sector (Bankable Frontier Associates, 2006).

Switching to electronic delivery can also reduce "leakage" (fraud and corruption) by establishing a unique identifier for recipients and putting the payment instrument directly into the hands of recipients. While moving to electronic delivery typically cuts costs and leakage for the government, it also lays a foundation for offering recipients a financially inclusive account. In South Africa, one-quarter of the country's more than 9 million social transfer recipients have their government payments electronically transferred into a financially inclusive bank account (SASSA, 2008). The Northern Kenya Hunger Safety Net Programme (HSNP) for pastoralists has increased the holders of bank accounts, following use of smart card and finger-print recognition technology for payments of cash transfers by Equity Bank agents who are local traders in the community.

2.5 Mobile banking and CBT

According to the Macrofinancial Linkages in Shallow Markets (2018), Mobile banking has mitigated infrastructure bottlenecks to financial development. As a result, the number of mobile accounts has risen quickly and even exceeded that of traditional bank accounts in some places (Tanzania and Uganda). Evidence suggests that mobile banking has a dynamic impact on raising the money multiplier and thus is likely to improve the financial sector's efficiency to boost growth over time (Raman et al. 2016). High operating costs and limited access to basic infrastructure make it difficult to expand banking services across sporadically populated rural areas, leading to the concentration of financial institutions in the capital city.

2.6 The theoretical and empirical review of CBI in Ethiopia

According to the study by Sabates-Wheeler and Devereux (2010), Ethiopia has experienced unprecedented rates of inflation since 2007, which have reduced the real purchasing power of PSNP cash payments. The study confirmed that food transfers or 'cash plus food' packages are superior to cash transfers – they enable higher levels of income growth, asset accumulation and self-reported food security. Cash transfers were seen as cost-efficient to deliver, incentivizing agricultural production and market activity, and allowing recipients to meet a range of food and non-food needs (Creti and Jaspars, 2006; Gelan, 2006; Harvey, 2007). Many governments are now adopting cash transfers for social protection interventions, or even for emergency relief purposes. Large multilateral food donors (notably the World Food Programme) are piloting cash transfers, and advocates of cash transfers. The Productive Safety Net Programme (PSNP) was launched by the Government of Ethiopia, with donor support, in January 2005. The PSNP is the largest social transfer programme in Africa outside South Africa, reaching approximately 11% of the national population in 2006 (8.3 million out of 71 million people). Responses to food insecurity in Ethiopia had been dominated for decades by emergency food aid, which was mobilized for over five million Ethiopians every year between 1994 and 2003. Recognizing that decades of food aid have had no discernible impact on reducing rural poverty and vulnerability, the PSNP represents an innovative attempt to tackle chronic food insecurity and break Ethiopia's dependence on food aid. The PSNP aims to provide 'predictable transfers to meet predictable needs.' Chronically food insecure households should receive support for 6 months each year for up to 5 years, bridging their annual food consumption gap, protecting their assets against 'distress sales' and building their resilience against shocks. Transfers are delivered through two components. The 'Public Works Programme' provides temporary employment to the majority of PSNP participants (84% in 2008), on rural infrastructure projects such as road construction. Direct Support' delivers unconditional transfers to the minority of participants (16% in 2008). Importantly, another ambition of the PSNP was ''to shift the financing of the programme from food aid to cash" (GFDRE, 2004, p. 1). This was more than a signal of the government's intent to phase out non-emergency food aid; it also recognized the developmental potential of cash transfers. Through the provision of cash transfers rather than food, the programme will enable smallholders to increase consumption and investment levels and stimulate the development of rural markets" (DFID Ethiopia, 2005, p. 1)". Chronic food insecurity at the woreda and households level is a defining feature of the eligibility criteria for PSNP participation. The household must have faced continuous food shortages (usually 3 months of food gap or more) in the last 3 years and received food assistance. The other criteria are: households that suddenly become more vulnerable as a result of a severe loss of assets and are unable to support themselves; and households without family support and other means of social protection and support.

The expectation was that cash transfers would gradually displace food transfers. Among the challenges to Cash Based Interventions is that markets in developing countries such as Ethiopia are often weak and poorly integrated, and may be particularly constrained or disrupted in conflicts and during natural disasters. This requires a capacity to analyze markets at local, national and regional levels, both in the assessment process and in an ongoing monitoring (Adams and Harvey, 2006). In the same token, Financial Services Assessment is required to determine the capacity of the financial sector in support of cash based intervention in Ethiopia.

For example, according to a report titled " Cameroon CASH Country Profile" the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) (2016) Cameroon is one of the stable economies in the Central African Economy and Monetary Community (CEMAC) zone; however, as a whole its financial sector is fairly small and highly concentrated. The presence of few banks and weak infrastructure is likely to be surmounted by mobile banking, as mobile penetration is increasing steadily and mobile operators in the country are already offering mobile banking services. The Cameroonian financial sector, while small in terms of GDP, has been characterized by the African Economic Outlook Report (2014) as sound overall – "in good health, appears quite developed and complies with prudential standards".

2.7 Conceptual Framework

In its summary of findings on the feasibility assessment of cash based interventions in Borno, Yobe, and Adamawa states of Nigeria, UNHCR identified the availability of Financial Service Providers, Mobile Money, Electronic vouchers and Direct Cash Payment as part of options available for CBT. This shows that the capacity of the financial sector of the country influence the CBI decisions.

As per a study titled "Implementing Cash-based Interventions" Action Contre la Faim (ACF) (2007), direct transfer to bank accounts is practicable where there is a well-functioning banking system in the programme area, with many local branches. It is also convenient and safe for recipients who can take whatever money they want whenever they want it, and can leave the rest safely in the bank. In some countries, operating a bank account has relatively high monthly charges (or they may refuse to open an account for small amounts).

According to UNHCR (2017), an initial inventory or mapping of the financial service providers and relevant regulatory environment in the area of intervention is an integral part of feasibility and response analysis. This inventory must be thorough, not necessarily in terms of exhaustively identifying all existing financial services in a given market but in asserting the extent to which these services can be used by an organization to serve multiple people at the same time (bulk payments) and how easily existing products can be modified to meet programme and beneficiary needs. What should influence the choice of service provider is their capacity to meet programme needs in a given context using a cash delivery mechanism that is cost efficient, provides the right security and controls and can be easy to use for. In addition, the following should be considered:

- Alternative delivery mechanisms to ensure access for certain individuals or groups as necessary
- Legal requirements for individuals to access financial services e.g. age limits, ID requirements
- Coverage, reliability and scalability of services.

According to World Food Proramme (WFP) (2014), there are five aspects to consider as part of a Macro Financial Sector Assessment:

- Government supervision of the banking and financial sector by the Central Bank, including anti- terrorism and anti-money laundering legislation.
- Ease of entry for new banks or financial institutions to enter the market.
- Competition in the banking sector, including the presence and concentration of banks, microfinance institutions, and mobile banking operators.
- Safety and consumer protection, indicating the extent to which deposits with banks and financial institutions are protected or insured.
- Efficiency of the overall sector, including average cost of financial services and interest spread.

In addition, Macro Financial Sector Assessment, provides an overview of the country's financial sector – how well it functions, where and to what extent it is present through physical branches or technological networks, and any specific risks or advantages that it poses.

.

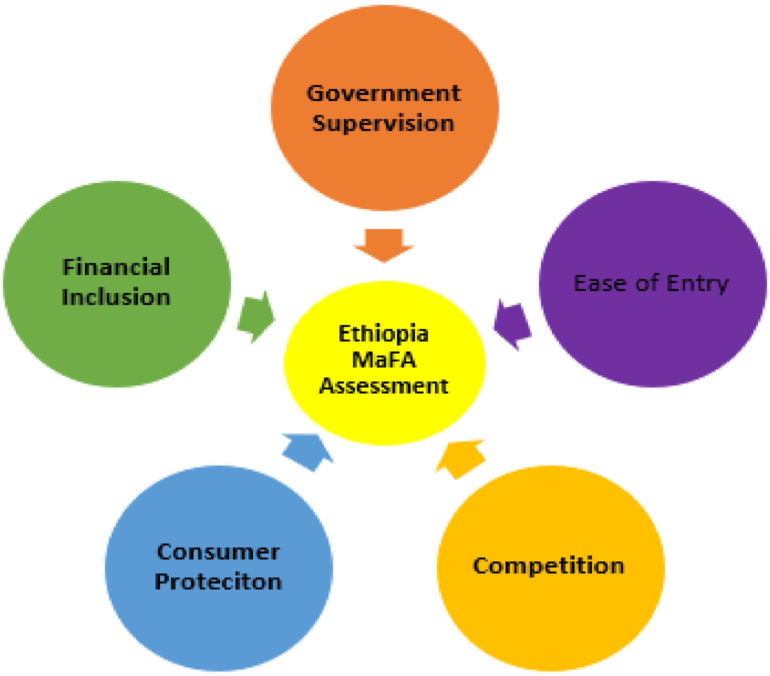

Figure 2.1: Assessment Catagories for Ethiopia MaFA in diagram

Source: Modified and drawn by the Researcher from WFP (2014) as presented above.

CHAPTER THREE

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Methodoloy

The Macro Financial Sector Assessment methodology has been constructed through guidance by the World Bank's Financial Sector Assessment Handbook (WBFSA), the Bank of International Settlement (BIS), the International Monetary Fund (IMF) and the Global Partnership for Financial Inclusion (GPFI). This guidance presents an overall analytical framework for assessing financial system stability and developmental needs, providing broad guidance on approaches, methodologies, and techniques of assessing financial systems. Although the guidance draws substantially on World Bank and IMF experience with the Financial Sector Assessment Program (FSAP) and from the broader policy and operational work in both institutions, it is designed for generic use in financial sector assessments, whether conducted by country authorities themselves, or by World Bank and IMF . The guidances are comprehensive and in-depth assessment of a country's financial sector. Financial service assessment analyze the resilience of the financial sector, the quality of the regulatory and supervisory framework, and the capacity to manage and resolve financial crises. Accordingly, the financial service assessment looks at the country's financial sector in terms of:

- The soundness of a financial system versus its vulnerabilities and risks that increase the likelihood or potential severity of financial sector crises.
- A country's developmental needs in terms of infrastructure, institutions and markets.
- A country's compliance with the observance of selected financial sector standards and codes.

The guidance has indicators for the assessment with corresponding weights for each indicators to give the sectors result and ranking compared to the standard against regional and world bench marks. An important part of the qualitative information is often gathered through the assessments of internationally accepted standards and codes of best practice.

The quantitative methods include a combination of statistical indicators and techniques designed to summarize the soundness and resilience of the financial system as presented in the annex section of this paper.Therefore, the assessment followed this guidance and Ethiopia's Financial Sectors are weighed against the indicators to give the categorical and the overall assessment results. The individual categories to be assessed for the assessment outcome of Ethiopia's MaFA are: government Supervision; ease of Entry; competition; consumer Protection; and financial Inclusion.

3.2 Research Design

Saunders, Lewis, and Thornhill (2009) defind research design as a general plan a researcher uses in answering established research questions. The research design contains clear and accurate objectives which is drived from the research questions. It specifies the sources from which a researcher intends to obtain and collect relevant data that support the study and also indicate the constraints that a researcher inevitably faces such as access to data, and time.

This study assessed the Macro Financial Assessment of Ethiopia using a descriptive research methodology based on content analysis of the the countries financial sector data in order to describe the present condition of Ethiopia MaFA.

3.3 Target Population

The study targets Financial Service Providers in Ethiopia which includes all banks, micro financial institutions, and postal offices, mobile banking and nternet banking including financial technology providers working in the country.

3.4 Data type and sources

The data types used in the assessment or study are both quantitative and qualitative collected from secondary sources of reports from world bank, international monetary Fund (IMF) and other pertinent organisation's reports.

3.5 Data Collection Tools and Analysis Techniques

In addition to reports from world bank, international monetary Fund (IMF) and other pertinent organisation's reports, reports from the National Banks of Ethiopia (NBE) and from each financial service providers'respective web sites is also used in the analysis. The study is based on report analysis for the financial service providers in the country and also using comparative regional figures and standard world wide bench marks. For each catagories selected for the assessment there is an indicator questions for evaluations and also there is a corresponding weights for each possible corresponding answers based on relevant data and evidence guided by financial sector assessment handbook of World Bank (2005). These methodology is chosen due to the nature of the project work depending on the analysis of different data mainly from secondary sources. The categories selected for the assessment are:

- Government Supervision;
- Ease of Entry;
- Competition;
- Consumer Protection;
- Financial Inclusion.

Each category will be assessed against a set of indicators that measure the level and depth of implementation of that category in the country, resulting in a quantitative score of up to 100 points for each category. Scores for the five categories will be summed for an overall country score of up to a maximum of 500 points. Based on the additional qualitative information provided, an additional qualitative rating (low-medium-high) is attributed. The qualitative judgment of various dimensions can be informed by the supporting document, and this judgment is used to classify the degree of observance of each practice into five categories: observed, broadly observed, partly observed, non-observed, and not applicable. "Observed" means that all essential criteria are met. "broadly observed" means that only minor shortcomings are observed—deficiencies that do not raise any questions about the authorities' ability and intent to achieve full observance within a reasonable period of time. "Partly observed" means that practices and enforcement diverge. "non observed" means that, despite progress, the shortcomings are sufficient to raise doubts about the authorities' ability to achieve observance. "Not applicable" means
that no substantive progress toward observance has been achieved.

CHAPTER FOUR

4 RESULTS AND DISCUSSION

4.1 Government Supervision

This indicator measures the extent to which the central bank has regulatory and supervisory control over a country's financial sector. It enables the central bank to control, monitor and enforce financial stability, monetary policies, payments and price stability and to ensure sector compliance with established laws. Most importantly, it provides confidence to consumers and investors to carry out their economic activities. To be given a substantial quantitative score and qualitative rating in this field, the central bank should have full regulatory and supervisory control over the country's financial sector and be fully responsible for licensing financial institutions, setting monetary policy and monitoring payment systems. The presence of a Real Time Gross Settlement System (RTGS) is also highly desirable for an effective payment system environment, as it facilitates transfer of money or securities from one bank to another on a "real time" and "gross" basis. Note that Real time gross settlement systems (RTGS) are funds transfer systems where transfer of money or securities takes place from one bank to another on a "real time" and on "gross" basis. Settlement in "real time" means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bunching or netting with any other transaction.

The National Bank of Ethiopia (NBE) is judged to meet most of these requirements with the exception of RTGS which exists in the country but not yet fully functional (National Bank of Ethiopia, 2009). NBE is in charge of regulating the payment system, formulating and implementing the monetary policy, and it has a regulatory authority for payments and implementation of a functioning RTGS. The NBE is also responsible for licensing all of the financial institutions including commercial and development banks, microfinance institutions (MFIs), bureaux de change, insurance companies, leasing companies and saving and credit institutions. The NBE's supervision include reserve requirement, foreign exchange rate control, setting interest rates and credit control (National Bank of Ethiopia, 2010).

According to IMF (2017), banks are overall appear profitable, well-capitalized, and liquid. Nevertheless, rapid credit growth merits vigilance by banks and the NBE.

Know your customer procedure is in place through directive on customer due diligence issued by the NBE. An anti-money laundering and combating the financing of terrorism (AML/CFT) framework is currently in place (established in 2013). According to the Financial Action Task Force (FATF), Ethiopia had been in the list of countries that have strategic AML/CFT deficiencies but was removed from the list in October 2014 due to the country's improvement in AML/CFT framework including issuance of a decree on customer due diligence and regulations on the freezing of terrorist assets. According to IMF (2017) report Article IV, the NBE, together with the Financial Intelligence Center, is making progress in strengthening Ethiopia's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework, and implementing the action plan agreed with the Financial Action Task Force (FATF). Ethiopia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a regional organization which deals with Anti-Money Laundering Measures and the Financing of Terrorism. Relative to the neighboring countries such as Somalia, South Sudan and Sudan, corruption and bribery in Ethiopia represents a moderate issue in Ethiopia, causing impact on investments and trust in government institutions and officials. Ethiopia ranks 107 out of 180 countries in the corruption perception index of Transparency International in 2017.

Based on the assessed supervision and regulation indicators the country receives a quantitative score of 83 out of 100 and a **high** qualitative rating in this field. This indicates that the regulatory frameworks and compliance control of the financial service of the country is stringent. As such no much risk is envisaged from control lack in considering FSP for CBI.

4.2 Ease of Entry

This indicator measures the financial sector's flexibility in admitting new entrants. Central banks should ideally ensure entry requirements liberal enough to promote market growth and yet sufficiently conservative to discourage potential entrants that would weaken financial stability. This indicator is measured by the central bank's legislative requirements for selecting a financial institution's board of directors, the minimum time required from application to licensing when starting a business and the monetary value of required paid-up capital needed to open a financial institution.

In Ethiopia, the average time required from application to licensing of financial institutions is around three months (National Bank Of Ethiopia, 2008) and a paid-up capital of ETB 500 million (USD 18 million), is required to establish a bank. The required time to start a business, 33 days is longer than the Sub-Saharan Africa's low income countries average of 24 days. Additionally, Ethiopia ranks 159th out of 190 countries in the World Bank's Ease of Doing Business index (World Bank, 2017), which is below the Sub-Saharan Africa average of 122. Foreign nationals or organizations fully or partially owned by foreign nationals are not allowed to be involved in the banking business in Ethiopia and acquire the shares of Ethiopian banks (National Bank Of Ethiopia, 2008).

Based on the assessed indicators, Ethiopia is given a quantitative score of 49 out of 100. And also, due to the fact that foreign companies are restricted to operate in the Ethiopian financial sector and a high paid-up capital requirement to enter the banking sector, a **Low** rating is given for the Ease of Entry indicator. This implies that new entry either international or local financial service provider is hardly to happen and no immediate new competitor to join the financial market with new capacity to support CBI.

4.3 Competition

This indicator measures "the extent to which financial markets are contestable and the extent to which consumers can choose a wide range of financial services from a variety of providers". Competition promotes efficiency, lower costs charged to consumers, and improves quality and service range. The sector should have a diverse composition of payment outlets and financial services, and a mixture of financial service providers.

Commercial Bank of Ethiopia is the main actor in the financial sector and it holds over 59% of total assets of the banks as of June 2018. The share of Commercial Bank of Ethiopia, the biggest state owned bank in total capital of the banking system was 54.7 percent as of September 2017. Micro Financial Institutions are also playing vital role in promoting savings and providing credit for small scale enterprises. Ethiopian Postal Service Enterprise, Internet Banking, as well as mobile money providers are present for basic money transfer and bills settlement services.

Banking sector:

Commercial banks in Ethiopia are engaged most of the customary banking services such as deposits, loan, local transfers, payments related to local and international trade, mortgage finance and forex service provisions.

According to the financial ratios, the banking sector is sound and significantly profitable as shown in the below table. All financial ratios are above the expected benchmarks.

Table 4.1: Financial Ratios of the Banking Sector

Indicators	Ratios	%	Benchmarks
Soundness	Capital Adequacy Ratio (CAR)	21.5	>8%
Asset quality	Non-Performing Loan (NPL) Ratio	2.6	<5%
Liquidity	Loan to Deposit Ratio	107.3	>100%
Profitability	Return on Asset (ROA)	2.4	>2%
Profitability	Return on Equity (ROE)	29.6	>10%

Source: IMF - 2016 Article IV Consultation

As of June 2018, Ethiopia has 17 commercial banks which hold 92.5% of banks' total assets, as well as 1 development bank registered with the NBE. Among the 17 commercial banks, 16 are privately owned whereas 1 commercial and 1 development bank are owned by the government of Ethiopia. There are no foreign banks in Ethiopia as the country's law does not allow foreigners or foreign banks to be involved in financial business in the country. A small number of banks dominate the banking sector: in particular, Commercial Bank of Ethiopia with 59% of the banking total assets held is the largest bank in terms of assets, followed by Development Bank of Ethiopia (7.5%), and Awash International bank (5.5%), as shown in the table below:

Table 4.2: Top 10 banks in terms of assets

#	Banks	Assets in millions (ETB)	Total assets (% of total)
1	Commercial Bank of Ethiopia	618,249.49	59%
2	Development Bank of Ethiopia	78,178.54	7.5%
3	Awash International Bank	57,828.00	5.5%
4	Dashen Bank	43,909.80	4.2%
5	Bank of Abyssinia	32,715.63	3.1%
6	Cooperative Bank of Orimia	29,555.69	2.8%
7	United Bank	29,008.62	2.78%
8	Wegagen Bank	27,598.19	2.6%
9	Nib International Bank	26,467.09	2.5%
10	Oromia International Bank	23,619.37	2.3%
11	Other banks	79,783.90	7.6%
Total		**1,046,914.32**	**100%**

Source: Web sites of banks/NBE

All banks are aggressively working to expand area of coverage by opening more branches, raising equity capital and mobilizing deposits. According to NBE's report, as of September 2017, the total number of all bank branches were 4,461 of which 67.5 percent were that of private banks. As a result, population to bank branch ratio stood at 21,6515. About 34.4 percent of the total bank branches were located in Addis Ababa. This expansion is a requirement by the government to fulfil the targets on the country's long term strategic plan. Substantial growth is achieved in the banking sector in 2018 as compared to 2016 which is reflected in the increase in the sector's total asset by 55%. Comparing the sector's 2017 performance against that of 2016 interms of loans and advances showed an increamnent of 23.8% and customers' deposit by 29.8%. Total deposit liabilities of the banking system reached Birr 598.6 billion by 30 September 2017, indicating a 31.5 percent annual growth. This attributed to a combined effect of the expansion of bank branches and improved access to finance, growing saving culture of the society and an increase in per capita income. Access to bank credit, however, appears stringent and practically impossible for individuals and small businesses due to wide gap between fund supply & demand at banks and the need to have collateral. Again, the stastics will be changed on issuance of the 2018 report, for example, total deposit of the banks as of June 2018 is Birr 730 billion. As of September 2017, the banking system collected loans amounting to Birr 23.8 billion during the review period, about 10.8 percent higher than that of a year earlier. Of the total loan collection, private banks accounted for 60.5 percent and public banks 39.5 percent. As of September 2017, outstanding credit of the banking system (excluding credit to government) increased to Birr 330 billion, about 22.9 percent higher than last year same quarter. About 99.8 percent of the outstanding loans made by private banks was claims on the private sector compared with 50 percent for public banks. Of the total credit, industry took Birr 130.9 billion (39.6 percent) followed by international trade (Birr 54.7 billion or 16.5 percent), domestic trade (Birr 43.9 billion or 13.3 percent), housing & construction (Birr 39.7 billion or 12 percent), agriculture (Birr 18.8 billion or 5.7 percent). The remaining balance went to other sectors.

The under developed infrastructure specifically in rural areas of the country and the poor internet connectivity, hinder smooth operation of banks to process financial transaction with reasonable speed and timeliness. The availability of skilled professionals is limited as the supply of banking experts is way behind in relation to the fast-growing banking sector.

Mobile and internet banking services are under development in Ethiopia. Currently only half of the banks are providing mobile and internate banking services. The internate and mobile banking services by these banks are limited mainly to account inquiry, money transfer, bill payments, and airtime top ups as shown in the below table. Compared to previous years, in the year 2018 there is much imporovement in internete and mobile banking services of financial institutions in Ethiopia. The money market is underdeveloped and secondary financial market is non-existent but government bonds are occasionally issued to finance government fiscal operations and/or to absorb excess liquidity in the banking system. Treasury Bills are the major financial instruments traded in the primary market.

Table 4.3: Mobile banking services provided by 8 banks

#	Banks	Account Inquiry	Money Transfer	Bill Payment	Goods Payment	Air-time top up	Money deposit	Cash withdrawal	Other
1	Commercial Bank of Ethiopia	√	√	√	√	√			Balance enquiry
2	Awash Bank	√	√	√			√	√	√
3	Lion International Bank	√	√	√	√	√			√
4	Cooperatives Bank of Oromia	√	√	√	√	√			√
5	Oromia International Bank	√	√	√	√	√			√
6	Dashen Bank	√	√	√	√	√			√
7	United Bank	√	√	√		√			√
8	Wegagen Bank	√	√	√	√	√			√

Source: banks' webpages/NBE

Table 4.4: Internate banking services provided by 10 banks

#	Banks	Account Inquiry	Money Transfer	Bill Payment	Goods Payment	Air-time top up	Money deposit	Cash withdrawal	Other
1	Commercial Bank of Ethiopia	√	√	√	√				Balance enquiry
2	Brehan Bank	√	√	√					√
3	Bank of Abyssinia	√	√	√	√				√
4	Nib International Bank	√	√	√	√				√
5	Abay Bank	√	√	√	√				√
6	Addis International Bank	√	√	√	√				√
7	Oromia International Bank	√	√	√	√				√
8	Zemen Bank	√	√	√	√				√
9	United Bank	√	√	√					√
10	Wegagen Bank	√	√	√	√				√

Source: banks' webpage/NBE

Microfinance sector:

The microfinance business is supported and promoted by the government of Ethiopia to increase access to finance for micro and small scale enterprises. The government supports include finance, training and financial market linkage for their clients. As per the annual report issued by the NBE as of September 2017, The 35 micro-finance institutions (MFIs) operating in the country mobilized Birr 26.8 billion in saving deposit which was 47.6 percent higher than last year same period. Similarly, their outstanding credit increased by 33.3 percent to Birr 34.9 billion highlighting their growing role in poverty reduction and wealth creation among low income groups both in rural and urban areas. Their total asset also expanded by 45.7 percent to reach Birr 53.7 billion at the end of September, 2017. The top five largest MFIs (Amhara, Dedebit, Oromia, Omo & Addis Credit and Savings Institutions) accounted for 84.4 percent of the total capital, 92.5 percent of the deposits, 88.1 percent of the credit and 89.1 percent of the total assets of MFIs (National Bank of Ethiopia, 2017/18). Note that now, as of June 2018, the number of Micro Financial Institutions found in Ethiopia are 37 in number and the above figure will be changed accordingly upon a report to be relased by NBE for the year 2018.

Table 4.5: Microfinance Institutions Performance as of September 30, 2017 (in Thousands of ETB)

Particulars	2016/17 Qrt.I	2017/18 Qrt.I	**% Change from 2016/17 Qrt.I**
Total Capital	9,021,648.8	11,726,337.3	30
Saving	18,170,221.5	26,826,176.8	47.6
Credit	26,184,689.0	34,896,856.2	33.3
Total Assets	36,858,625.5	53,710,083.4	45.7

Source: National Bank of Ethiopia (annual report First Quarter2017/18)

The microfinance sector in Ethiopia is smaller in scale as compared to the countries in the region. The amount of loan disbursed by the MFIs is USD 566 million while loan by microfinance sector in Kenya, Uganda and Tanzania are USD 2.8 billion, USD 242 million and USD 1.47 billion respectively. Similarly, deposits with microfinance institutions is USD 348 million, whereas the figures in Kenya, Uganda and Tanzania are USD 3.9 billion, USD 618 million and USD 2 billion respectively (Mix Market, 2012).

37 microfinance service providers operate in the country including small and micro firm development institutions, NGOs and pure MFIs. Out of these MFIs, 11 are government affiliated organizations and deeply rooted to both rural and urban areas to support micro and small enterprises in getting finances who usually do not have access to bank credits due to collateral requirement. In most cases, borrowers are required to organize themselves in a small group and register with Co-operatives Agency to request financial services from MFIs. The group would be liable both individually and collectively in case of default.

As per the NBE's quarterly bulletin report for first quarter 2017/18 fiscal year Series, the top five largest MFIs (Amhara, Dedebit, Oromia, Omo & Addis Credit and Savings Institutions) accounted for 84.4 percent of the total capital, 92.5 percent of the deposits, 88.1 percent of the credit and 89.1 percent of the total assets of MFIs.

Mobile money service providers:

According to the World Bank (2017), the number of mobile phone subscriptions is 60%. The mobile penetration in Ethiopia remains far below the Sub Saharan Africa region average of 75% and it is also lower compared to East African countries average of 107%.

Ethio Telecom is the only telephone and internet service provider in Ethiopia which is fully owned and managed by the Ethiopian government. Its services are mainly limited to mobile, fixed line and internet for voice and data. Ethio Telecom itself doesn't provide mobile money service which is left to commercial banks and other financial service providers.

Two mobile money service platforms have emerged in Ethiopia. They are called M-Birr mainly used by major MFIs and HalloCash used by Lion Bank, Cooperative Bank of Oromia and Somali MFI. The two platforms reach people living in remote rural areas through agents of the mobile money providers to provide services such as deposits, withdrawals, and transfers. There is no interoperability between these two mobile money platforms and the intermittent mobile connectivity in some rural parts of the country is among the challenges. Very recently, some banks including Commercial of Bank of Ethiopia have developed their own mobile money systems.

Remittance market:

The personal remittance inflows to Ethiopia mainly originate from migrant workers and resident employees living in North America, Europe, Middle East and the rest of the world. According to the World Bank (2017), the total personal remittance inflow to Ethiopia was USD 816 Million which constitute only 1% of the GDP. Per statistics of Pew Research (2017) Center, the three main source of remittance to Ethiopia are United States of America (US$241 mil), Saudi Arabia (US$181 mil) and Israel (US$81 mil).

Another important source of foreign currency inflow to Ethiopia are transfers by non-governmental organizations (NGOs) which accounts about USD 1,017 million in 2015 according to the NBE annual report. Remittance inflow by both individuals and NGOs is relatively small yet is an important source for Ethiopia.

Formal international transfers are mainly handled by money transfer operators (MTOs) such as Western Union, Express Money, MoneyGram and TransFast, whereas, commercial banks mainly provide inbound payment service to the remittance receivers within Ethiopia.

National postal company

Ethiopian Postal Service Enterprise provides limited range of financial services such as disbursement of transfers through Western Union to remittance receivers and payment of pension fund to individual pensioners as an agent of Ethiopian Social Security Agency. It also collects income tax, road fund (reserve for road maintenance) and SIM card subscription as an agent for Revenue Authority, Road Transport Authority and Ethio Telecom respectively.

Ethiopian Postal Service Enterprise has about 1,276 outlets throughout the urban and rural areas in the country out of which 946 are full-fledged postal offices. Financial services are provided but limited to few major towns.

Table 4.6: Financial services provided by Ethiopian Postal Service Enterprise

Financial services provided Ethiopian Postal Service Enterprise
Money transfers
Pension fund payment
Collections of various payments (i.e. tax) for the government and public entities

Source: Ethiopian Postal Service Corporation

The competition measurement for Ethiopia received a quantitative score of 69 out of 100 and therefore a **Medium** qualitative rating on this field. This is to mean that though completion is closed for new enterants, there are a couple of financial service providers to work with for CBI programme and to cmpet with each other to come up with innovative ways of financial services for the customers.

4.4 Consumer Protection

This indicator measures the extent to which laws are in place to protect consumers from financial abuse. It is reflected in laws that a) safeguard consumer deposits through minimum deposit insurance requirements, b) establish sufficient minimum asset quality ratios, loan and deposit reserves, and c) set ideal lending and deposit interest rates and fee disclosure requirements d) and set-up a consumer referral system, like a consumer protection agency that enables consumers to voice their complaints and that will protect consumer's rights. Deposit insurances guarantee the bank will reimburse depositors a percentage of their account balances if it closes. The strength of a banks' asset quality ratio informs creditors and depositors about the operational strength of the financial institution.

The NBE was judged to meet some of these requirements. Consumer Protection in Ethiopia is fairly organized, with adequate security for consumers in case a financial institution is in non-compliance. However, there is no evidence that independent complaints mechanism is in place for financial consumers to report issues.

According to the IMF (2014), Ethiopia is categorized as a country without explicit deposit insurance scheme. However, as an alternative to deposit insurance the National Bank of Ethiopia Directive No. SBB/55/2013 was released requiring banks to maintain 5% of total deposits at National Bank of Ethiopia in order to protect depositors during bankruptcy. In 2010, Ethiopia adopted a law on general trade practice and consumer's protection and Trade Practice and Consumers Protection Authority was established to ensure its implementation. As per article 5.18 of the proclamation for establishment of NBE, consumer protection authority specific to the financial sector including deposit insurance fund establishment is placed with the National Bank of Ethiopia.

Ethiopia received a quantitative score of 60 in this category and is given a **Medium** qualitative rating in terms of Consumer Protection. This result shows that cash benefit transfers to beneficiaries have same protection through a directive by National Bank of Ethiopia.

4.5 Financial Inclusion

This indicator measures the extent of the "state in which all people have access to a full set of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor, rural, and other excluded populations". The financial inclusion measure will capture relevant information on financial services (specifically on access to these services) that will give us an understanding of the current general state of the financial services landscape.

According to the World Bank (2017), an estimated 35% of the adult population (15+) had access to an account at a formal financial institution, 26% had access to formal savings and 11% could benefit from formal borrowings, in comparison, the Sub-Saharan Africa region stood at 43% of adults having an account. The government of Ethiopia, the NBE and all banks are aggressively working to promote the use of financial service by the able population. The IMF (2016) noted in its report that the growth in commercial bank branches, deposit and credit in 2015 at commercial banks are 18.7%, 24.8% and 29.8% respectively which show the rapid expansion and deepening of financial service.

Bank branches are concentrated at regional capitals, though reasonable number of bank branches are available at rural towns supported by government affiliated MFIs which cover the entire country. The 11 government affiliated MFIs, each of them covers one administrative region. Financial access points remain poor with just 0.5 ATMs and 3 bank branches per 100,000 adults.

The government of Ethiopia is currently implementing five-year (FY2015 – 2019) country level strategic plan on economy called Growth and Transformation Plan II (GTPII). In the GTP II document, it is stated that the number of bank branches to reach 5,736 (from the current 4,578) and 50% of the rural kebeles (the lowest administrative unit) to be covered by MFIs services by the end of financial year 2019. It also plans to increase the percentage of mobile phone and internet service subscribers to 103.6% and 56% (from the current 60% and 15%) respectively at the end of GTP II.

Ethiopia received a quantitative score of 25 out of 100 in this category and therefore is given a **Low** rating in this field. This means as much of the population of Ethiopia are unbanked and therefore, the CBI may require to work hard with the financial service providers towards the encouragement of the financial inclusion concept in Ethiopia using different means of reaching the needy citizen of the country by using all methods of services such as mobile banking, internet banking in addition to bank transfers.

CHAPTER FIVE

5 SUMMARY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS on Macro Financial Sector Assessment for Cash-Based Transfer Interventions in Ethiopia

5.1 CONCLUSIONS

5.2 FINANCIAL SECTOR OVERALL RATING

Based on the indicators and the information available, Ethiopia's overall macro financial assessment rating is 286 points out of 500 points (as illustrated in the below table), therefore based on this assessment Ethiopia's financial sector capacity to scale-up cash-based transfer modalities is regarded as **Medium** indicating that the Financial Service Providers of the country are eligible for CBT intervention with first at small scale level and with subsequent gradual expansion based on experiences and lessons learnt with a close monitoring of the progress of the CBI programme has been undrtaken.

Among the five assessment catagories, government supervision result showed that the control framework in the country exists and functioning well. Ease of entry result shows almost no expectation of new enterants into the financial service of Ethiopia for bringing new technology and advanced system. Financial inclusion is at low level showing the majority of the population of Ethiopia are not using the financial services of the country and, thus, CBI programme may require training of the cash beneficiaris towards the use and and the different products of the financial service providers.

Clarification on scores and rating:

- Scores (0-100 points for each indicator, maximum 500 for the 5 indicators) highlight the level of financial infrastructure and any regulations available in the country at the time of this MaFA completion;

- Ratings (low-medium-high) provide an overall evaluation with regard to the effectiveness of the existing financial infrastructure and rate the level of enforcement of the financial regulations in practice.

Scores and Ratings are different because the financial infrastructure and regulations available in a country are more easily quantified while the evaluation of their effectiveness and enforcement is more qualitative. Ratings are the overall assessment of each indicator as well as the overall evaluation on the financial sector's capacity to conduct CBT intervention.

Table 5.1: Financial Sector Overall Rating

Indicators	Scores	Rating of each indicator
Government Supervision	83	High
Ease of Entry	49	Low
Competition	69	Medium
Safety and Consumer Protection	60	Medium
Financial Inclusion	25	Low
Overall Rating of the Financial Sector	**286 (57%)**	**MEDIUM**

These initial ratings concludes that financial inclusion and ease of entry may limit the CBI, for example, beneficiaries may not know how to operate mobile money or the use of modern banking technology and this entails that the programme need to anticipate some training programme to beneficiaries in the use of financial service providers' different products on offer. It also evident from the law of the land that no expectation of upcoming advanced technology driven financial service providers to join the financial sector of the country at least for near future. Most of the FSP are also concentrated in the capital city of Ethiopia. Upon decision on introduction or scale up of CBT, and then the Country is required to complete Micro Financial Assessment (MiFA) on the selected individual potential Financial Service Provider. MiFA is a financial assessment of the candidate financial providers with which the Ethiopian government or any humanitarian agency would partner to conduct CBT. In the MiFA report, each financial provider is assessed for its financial strength, its risks identified, and mitigating actions for the risks are also proposed.

5.3 FINANCIAL SECTOR RISKS

Based on the research performed and based on the discussions the below table summarizes and illustrates the Strengths, Weaknesses, Opportunities and Threats of the financial sector in Ethiopia.

Table 5.2: SWOT analysis

Strengths	Weaknesses
• Adequate overall policy framework by NBE; • Strong supervision by NBE; • Commitment of banks to expand branches and outlets throughout the country; • Geographical coverage of government supported MFIs in both urban and rural areas; • Government's engagement and support for financial inclusion.	• Entrance to financial market is closed to foreigners; • Banking sector dominated by one bank; • Difficulties to access finance by business and individuals due to limited services available; • Low level of technology; • Inefficient National Payment System; • Secondary financial market is not available.
Opportunities	**Threats**
• Further improvement in financial inclusion is backed by active involvement of the government; • Further geographical coverage of government supported MFIs in rural areas.	• Corruption and bureaucracy; • Excessive control by government over foreign investment on FSP • Unreliable internet connectivity in most rural part of the country;

Source: Summarized by the project worker from Results and Discussions Presented

As summarized above, there is insufficient national payment system to support the beneficiary payment from any financial services operating in the country. There is also low level of technology and limited products from financial service providers which may have consequences in supporting advanced CBI programme such the use of mobile money and internet banking. The technological infrastructure may also hinder the smooth operation of the FSP and which may have knock on effect on CBI programme.

5.4 RECOMMENDATIONS

Based on the research performed and information available several recommendations can be highlighted that the Country should take into account moving forward with cash-based transfer modalities:

- Internet banking and mobile money coverage are at infant level and these delivery mechnisms need to be considered after other cash deleivery options are exhausted and also after more due diligence check is undertaken.
- The geographical coverage of the FSP in the area intended for CBI need to be further investigated as some areas are not sufficiently covered by FSPs.
- In using mobile money, it is advisable to work through those banks & MFIs which have prior experiences and exposure.
- MFI may be used in remote areas of the geographical regions of the country as government supported MFIs in strenghtning their potentially in targeted regions.
- Consider the use of deposit to beneficiaries' saving accounts at either banks or MFIs for relief beneficiaries residing in urban areas where the formal financial services are readily available as this is relatively safer.
- Consider the use of the Financial Service Provider having a wider coverage including bank branches, ATMs, mobile money, and internate banking existing services in government or humanitarian agencies targeted regions to reach the remote and insecure areas to implement CBI as much as possible for those FSP believed to have the capacity and some experience.
- The assessment need to be regularly updated to take into account the inevitable changes in the environment of the Financial Service Providers in the country

REFERENCES

Adams, L., (2007) Learning from cash responses to the tsunami.

Administrator. (n.d.). Home. Retrieved from http://www.ethiopostal.com/index.php/10ourfinancial-services/7-agency-services

Bankable Frontier Associates (2006). Scoping report on the payment of social transfers through the financial system. Boston:DFID.

Bessir, M. (2018, June 19). Financial inclusion in Ethiopia: 10 takeaways from the latest Findex. Retrieved from http://blogs.worldbank.org/africacan/financial-inclusion-in-ethiopia-10-takeaways-from- findex-2017

Bryman, A., & Bell, E. (2011). Business research methods. Oxford: Oxford University Press.

Cameroon CASH Country Profile, November 2016 - Cameroon. (n.d.). Retrieved from http://reliefweb.int/report/cameroon/cameroon-cash-country-profile-november-2016

Can E-Transfers Promote Financial Inclusion In Emergencies ... (n.d.). Retrieved from https://www.mercycorps.org/sites/default/files/ETransfersFinInclusionCaseStudyEthiopia2017.pdf

Cash and Vouchers Manual, Second edition 2014 - World. (n.d.). Retrieved from https://reliefweb.int/report/world/cash-and-vouchers-manual-second-edition- 2014

Cash-based approaches in humanitarian emergencies: A systematic review. (2017).

Cash-based approaches in humanitarian emergencies: A ... (n.d.). Retrieved from http://www.3ieimpact.org/media/filer_public/2016/05/19/sr28-qa-sr-report-cash-based-approaches.pdf

Cash Feasibility and Response Analysis Toolkit. (n.d.). Retrieved from

https://www.unhcr.org/5a8429317.pdf

Cash Transfers - cashlearning.org. (n.d.). Retrieved from http://www.cashlearning.org/downloads/cash-

transfers-literature-review.pdf

Cash Transfers Literature Review DFID - PDF documents. (n.d.). Retrieved from http://www.docucu- archive.com/Cash-Transfers-Literature-Review-DFID.pdf

Countries & Regions. (n.d.). Retrieved from https://www.themix.org/mixmarket/countries-regions/

Davis, B., Gaarder, M., Handa, S., & Yablonski, J. (2012). Evaluating the impact of cash transfer programmes in sub-Saharan Africa: An introduction to the special issue. Journal of Development Effectiveness, 4(1), 1-8.

Doocy, Sh., Tappis, H. (2016). Cash-based approaches in humanitarian emergencies.

Ethiopia HRD 2017: Status Update, 19 October 2017 - Ethiopia. (n.d.). Retrieved from

https://reliefweb.int/report/ethiopia/ethiopia-hrd-2017-status-update-19-october-2017

Explore Economies. (n.d.). Retrieved from
http://www.doingbusiness.org/en/data/exploreeconomies/ethiopia

E.V., T. I. (n.d.). Corruption Perceptions Index 2017. Retrieved from
https://www.transparency.org/news/feature/corruption_perceptions_index_2017

Feasibility Assessment of Cash-Based Interventions in ... (n.d.). Retrieved from

http://www.cashlearning.org/downloads/unhcr-presentationfeasibility-assessment.pdf

Harvey, P. (2007). Cash-based Responses in Emergencies. IDS Bulletin, 38(3), 79-81.

Implementing cash-based interventions: A guideline for aid workers. (2014, March 06). Retrieved from https://www.actionagainsthunger.org/publication/2007/10/implementing-cash-based-interventions-guideline-aid-workers

Food Assistance Fact Sheet - Ethiopia | Food Assistance. (n.d.). Retrieved from

https://www.usaid.gov/ethiopia/food-assistance

International Monetary Fund. (n.d.). The Federal Democratic Republic of Ethiopia : 2017 Article IV

Consultation-Press Release; Staff Report; and Statement by the Executive Director for The

Federal Democratic Republic of Ethiopia. Retrieved from

https://www.imf.org/en/Publications/CR/Issues/2018/01/24/The-Federal-Democratic-Republic-of-Ethiopia-2017-Article-IV-Consultation-Press-Release-Staff-45576

Learning from cash responses to the tsunami - HPG ... (n.d.). Retrieved from

https://www.odi.org/resources/docs/4860.pdf

Market analysis guidance. (2014). Geneva: International Committee of the Red Cross.

Mattinen, H., & Ogden, K. (2006). Cash-based interventions: Lessons from southern Somalia. Disasters, 30(3), 297-315.

Mattinen, H., & Ogden, K. (2006). Cash-based interventions: Lessons from southern Somalia. Disasters,30(3), 297-315.

Mercy Corps (2016). Can E-Transfers promote financial inclusion in emergencies: A Case Study From Ethiopia.

Mercy Corps, Cash Transfer Programming Toolkit, Cash Transfer Programming: Methodology Guide.

National Bank of Ethiopia Addis Ababa. (n.d.). Retrieved from http://www.nbe.gov.et/directives/bankingbusiness/sbb-46-10.pdf

National Bank of Ethiopia. (n.d.). Retrieved from http://nbebank.com/pdf/Vision & Strategic plan new.pdf

Mobile cellular subscriptions (per 100 people). (n.d.). Retrieved from http://data.worldbank.org/indicator/IT.CEL.SETS.P2?locations=ET

Pickens, M. Porteous, D. and Rotman, S. (2009). Banking the poor via G2P payments: CGAP and DFID.

Overview. (n.d.). Retrieved from https://www.worldbank.org/en/country/ethiopia/overview

Sabates-Wheeler, R., & Devereux, S. (2010). Cash transfers and high food prices: Explaining outcomes on Ethiopia's Productive Safety Net Programme. Food Policy,35(4), 274-285.

SASSA.(2008), South African Social Security Agency (SASSA): annual report 2008/09

Saunders, M., Lewis, P., Thornhill, A., & Finn, R. (2010). Qualitative methods for accounting and management: Compiled from Research methods for business students. Harlow: Pearson.

The Macrofinancial Linkages in Shallow Markets - imf.org. (n.d.). Retrieved from https://www.imf.org/~/media/Files/Publications/DP/2018/45983-dp1812-microfinancial-linkages-shallow-markets.ashx

Time required to start a business (days). (n.d.). Retrieved from https://data.worldbank.org/indicator/IC.REG.DURS?locations=ZF

Topic: High-risk and other monitored jurisdictions. (n.d.). Retrieved from http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/

Trade practice and consumer protection proclamation No.685/2010. (2011, November 05). Retrieved from https://chilot.me/2011/01/19/trade-practice-and-consumer-protection-proclamation-no-6852010/

Annex A

Annex A-1

Detailed indicator scores

Measure	Indicator	Max. scores	Score	Possible Answers
Government Supervision	A legal and regulatory framework for the financial sector is in place.	Max: 20	**20**	**Yes**
Government Supervision	The central bank is responsible for licensing and regulating the following type of institutions:	Max: 16	**2**	☑ Commercial Ban
			2	☑ Savings Bank
			2	
			2	☑ Insurance Companies ☑ Mortgage Companies
			2	
			2	
			2	☑ E-money issuers ☑ Foreign Exchange Bureau
			2	
Government Supervision	Central bank responsible for setting monetary policy	Max: 15	**15**	**Yes**
Government Supervision	Central bank has regulatory authority for the payment system?	Max: 10	**10**	**Yes**
Government Supervision	A real time gross settlements system for payments in place	Max: 5	**-**	**No**
Government Supervision	A clearing house is used for settling payments	Max: 5	**5**	**Yes**

Measure	Indicator	Max. scores	Score	Possible Answers
Government Supervision	The country has a credit bureau / registry	Max: 8	**8**	**Yes**
Government Supervision	Know Your Customer (KYC) legislation is in place	Max: 7	**3**	**Yes**
Government Supervision	Anti-terrorism legislation in place	Max: 7	**3**	**Yes**
Government Supervision	Money Laundering legislation in place	Max: 7	**3**	**Yes**
Subtotal Score:		Max: 100	**83**	

Measure	Indicator	Max. scores	Score	Possible Answers	Source
Ease of Entry	Central bank has established minimum qualifications for board of directors	Max: 20	**20**	**Yes**	http://www.nbe.gov.et/pdf/directives/bankingbusiness/sbb-54-12.pdf http://www.nbe.gov.et/pdf/directives/insurancebusiness/32.pdf http://www.nbe.gov.et/pdf/directives/microfinancebusiness/mif-%2021-
Ease of Entry	The average time in years from financial service provider application-approval-registration process (as stated by the central bank)	Max: 20	**10**	**0 - 3 months**	http://www.nbebank.com/pdf/Proclamation/Banking%20Proclamation.pdf
Ease of Entry	What is the average monetary value for required paid-up capital to open a bank (IN USD)?	Max: 20	**2**	**15,000,001 - Above**	http://www.nbe.gov.et/pdf/directives/bankingbusiness/sbb-50-11.pdf
Ease of Entry	How does the World Bank rate the ease of doing business in the country (between 1 = most business-friendly regulators and 189 worst business friendly regulators)	Max: 20	**2**	**189 - 160**	http://data.worldbank.org/indicator/IC.BUS.EASE.XQ
Ease of Entry	What is the time required to start a business? (days)	Max: 20	**15**	**21 - 40**	http://data.worldbank.org/indicator/IC.REG.DURS
Subtotal Score:		Max: 100	**49**		

Measure	Indicator	Max. scores	Score	Possible Answers
Competition	Location of post offices	Max: 10	**10**	**Urban and Rural: extensive**
Competition	Commercial and merchant banks operational	Max: 15	**15**	**Yes**
Competition	Share of assets held by the top three largest financial institutions	Max: 10	**5**	**51% - 80%**
Competition	Are there functioning micro/development finance institutions?	Max: 6	**6**	**Yes**
Competition	If yes, how extensive is the presence of Micro/Development finance institutions within the country?	Max: 7	**5**	**Medium**
Competition	Are there functioning insurance companies?	Max: 5	**5**	**Yes**
Competition	Are there functioning mortgage companies?	Max: 5	**-**	**No**
Competition	Are there functioning pension funds?	Max: 5	**5**	**Yes**
Competition	Are there functioning foreign exchange bureaus?	Max: 7	**5**	**Yes**
Competition		Max: 10		**31% - 50%**

Measure	Indicator	Max. scores	Score	Possible Answers
	What is the share of assets held by privately owned banks?		5	
Competition	What is the share of assets held by foreign owned banks?	Max: 10	3	**0% - 30%**
Competition	What is the share of assets held by state owned banks?	Max: 10	5	**51% - 80%**
Subtotal Score:		Max: 100	69	

Safety/Consumer Protection	Regulatory provision for deposit insurance in place	Max: 25	-	**No**	https://www.imf.org/external/pubs/ft/wp/2014/wp14118.pdf
Safety/Consumer Protection	Maximum deposit insurance coverage	Max: 15	-	**No information available**	
Safety/Consumer Protection	Reserve requirements for loans and deposits in place	Max: 15	15	**Yes**	http://www.nbe.gov.et/pdf/directives/bankingbusiness/sbb-55-2013.pdf
Safety/Consumer Protection	Does the central bank explicitly set a minimum asset quality ratio?	Max: 15	15	**Yes**	http://www.nbe.gov.et/pdf/directives/bankingbusiness/sbb-43-08.pdf
Safety/Consumer Protection	Financial supervisor is engaged in consumer protection supervision:	Max: 15	15	**Yes**	http://www.nbe.gov.et/pdf/directives/bankingbusiness/sbb-55-2013.pdf
Safety/Consumer Protection	A general consumer protection law in place:	Max: 15	15	**Yes**	https://chilot.me/2011/01/19/trade-practice-and-consumer-protection-proclamation-no-6852010/
Subtotal Score:		Max: 100	60		

Financial Inclusion	Number of post office branches per 100,000 adults	Max: 15	2	**0 - 1**	http://www.ethiopostal.com/index.php/history
Financial Inclusion	Percentage of depositors with commercial banks:	Max: 10	4	**21% - 40%**	http://blogs.worldbank.org/africacan/financial-inclusion-in-ethiopia-10-takeaways-from-findex-2017
Financial Inclusion	Number of point-of-sale-terminals are there per 100,000 adults:	Max: 15	-	**No information available**	http://data.worldbank.org/indicator/FB.POS.TOTL.P5?page=1
Financial Inclusion	Number of ATMs per 100,000 adults	Max: 15	2	**0 - 10**	http://data.worldbank.org/indicator/FB.ATM.TOTL.P5
Financial Inclusion	% of adults with an account at a formal financial institution	Max: 15	6	**21% - 40%**	http://databank.worldbank.org/data/r
Financial Inclusion	% of adults with at least one loan outstanding from a regulated financial institution:	Max: 10	2	**0% - 20%**	http://databank.worldbank.org/data/r
Financial Inclusion	Does the country have Mobile money service providers:	Max:10	7	**Yes, though limited coverage**	http://finclusionlab.org/country/ethiopia/analytics
Financial Inclusion	Points of service: number of bank branches per 100,000 adults:	Max: 10	2	**0 - 10**	http://data.worldbank.org/indicator/F
Subtotal Score:		Max: 100	**25**		

Total overall Score	**286**

Annex B

Annex B1 Number of bank branches and ATMs by Region

As of June 2018			1		2		3		4		5		6		7		8		9		10		11		Total number of branches	Total number of ATMs
			Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries	Location	Beneficiaries		
			Addis Ababa		Afar		Amhara		Bensangul Gumuz		Diredawa		Gambela		Harari		Oromia		SNNPR		Somali		Tigray			
#	Institutions	Category	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM	Branches	ATM		
1	Development Bank of Ethiopia	PUB	4		2		24		1		1		1		1		37		24		3		9		107	0
2	Commercial Bank of Ethiopia	CB, PUB	298	575	16	20	217	271	11	12	14	25	5	9	6	9	416	463	180	198	34	17	105	103	1,302	1,702
3	Awash International Bank	PB	169	162	3	1	33	16	2	2	4	3	2	1	2	3	131	59	20	13	4	1	12	6	382	267
4	Dashen Bank	PB	143	180	4		62	35	1	1	6	11	2	1	4	4	79	34	6	26	41	3	30	16	378	311
5	Wegagen Bank	PB	111	128	3		27	11	1		4	4	7	1	2	2	34	14	20	13	6	1	72	24	287	198
6	Bank of Abyssinia	PB	128	87	3		47	10	2	1	2	1	1		1	2	45	9	17	9	3	1	13	5	262	125
7	United Bank	PB	109	47	2	1	34	6	2		2	1	1		2		36	7	18	12	2		18	3	226	77
8	Nib International Bank	PB	127	100			19	13			3	4	1		2	1	30	22	36	20	3	2	7	7	228	169
9	Cooperative Bank of Oromia	PB	62	17	1		5	1	1		7	2	1		1	1	201	15	10	1	4		4	1	297	38
10	Lion International Bank	PB	63	11	6		16	1	1		2		1		1		13	2	9	2	4		82	13	198	29
11	Zemen Bank	PB	10	51			3	2			1	1					3	6	1	2			2	3	20	65
12	Oromia International Bank	PB	89	29	1		13	1	1		2	1	1		1		126	17	16	1	3		4	1	257	50
13	Bunna International Bank	PB	80	34	1		35	4	1		2	1	2	1	1	1	24	3	13	2	4		13	2	176	48
14	Berhan International Bank	PB	68	16	1		9	1	1		1	1	1		1		39	2	24	3			11	2	156	25
15	Abay Bank	PB	50	31	1		75	8	1		1		1		1		12	1	6		2		12	2	162	42
16	Addis International Bank	PB	35	17			9	5			1	1					7	3	5	3			2	1	59	30
17	Debub Global Bank	PB	21	8			1				1						3	1	15	1			1		42	10
18	Enat Bank	PB	25	8			3				1						6		1	1			3	1	39	10
			1,592		44		632		26		55		27		26		1,242		421		113		400		4,578	0
				1,501		22		385		16		56		13		23		658		307		25		190		3,196

Annex B-2: *Total number of bank branches and ATMs by Region*

#	Institutions	Category	# of branches	# of ATMs
1	Development Bank of Ethiopia	PUB	107	0
2	Commercial Bank of Ethiopia	CB, PUB	1302	1702
3	Awash International Bank	PB	382	267
4	Dashen Bank	PB	378	311
5	Wegagen Bank	PB	287	198
6	Bank of Abyssinia	PB	262	125
7	United Bank	PB	226	77
8	Nib International Bank	PB	228	169
9	Cooperative Bank of Oromia	PB	297	38
10	Lion International Bank	PB	198	29
11	Zemen Bank	PB	20	65
12	Oromia International Bank	PB	257	50
13	Bunna International Bank	PB	176	48
14	Berhan International Bank	PB	156	25
15	Abay Bank	PB	162	42
16	Addis International Bank	PB	59	30
17	Debub Global Bank	PB	42	10
18	Enat Bank	PB	39	10
TOTAL			**4,578**	**3,196**

#	Regions/Departments	# of branches	# of ATMs
1	Addis Ababa	1592	1501
2	Afar	44	22
3	Amhara	632	385
4	Bensangul Gumuz	26	16
5	Diredawa	55	56
6	Gambela	27	13
7	Harari	26	23
8	Oromia	1242	658
9	SNNPR	456	307
10	Somali	78	25
11	Tigray	400	190
TOTAL		**4,578**	**3,196**

Annex B-3---------------Annex B Number of Micro Finance institution branches by Region

As of June 2018			1	2	3	4	5	6	7	8	9	10	11	Total number
			Addis Ababa	Afar	Amhara	Bensan	Direda	Gambel	Harari	Oromia	SNNPR	Somali	Tigray	
#	Institutions	Category	Branches	Branches	Branches	Branches	Branches	Branches	Branches	Branches	Branches	Branches	Branches	
1	Amhara Credit & Saving Intitution	MFI	2		470									**472**
2	Dedebit Credit & Saving Intitution	MFI	2		1								179	**182**
3	Oromia Credit & Saving Company	MFI	3				2			370				**375**
4	Omo Microfinance Insitution	MFI									180			**180**
5	Addis Credit & Saving Institution	MFI	148											**148**
6	Specialized Financial and Promotional Institution	MFI	4		12					13	1			**30**
7	Gasha	MFI	4							2				**6**
8	Vision Fund Microfinance	MFI	4		11					27	23			**65**
9	Sidama Microfinance	MFI									27			**27**
10	Buusa Gonofa Microfinance	MFI								30				**30**
11	PECE Microfinance	MFI	1		7					15	2			**25**
12	Meklit Microfinance	MFI	3							8	6			**17**
13	Eshet Microfinance	MFI	1							22				**23**
14	Wassasa Microfinance	MFI								60				**60**
15	Benishangul-Gumuz Microfinance	MFI				25								**25**
16	Diredawa Microfinance	MFI					11		2					**13**
17	Aggar Microfinance	MFI	4							3	6			**13**
18	Harbu Microfinance	MFI	2		7					11				**20**
19	Africa Vilage Financial Service	MFI	1							9				**10**
20	Kendil Microfinance	MFI								4	1			**5**
21	Metemamen Microfinance	MFI	2							17	5			**24**
22	Letta Microfinance	MFI								1	8			**9**
23	Digaf Microfinance	MFI	2											**2**
24	Harar Microfinance	MFI							4					**4**
25	Lefayeda Credit & Saving	MFI	2											**2**
26	Tesfa Microfinance	MFI								2	2			**4**
27	Dynamic Microfinance	MFI	5							4				**9**
28	Somali Microfinance Institution	MFI	1				1					27		**29**
29	Lideta Microfinance	MFI											7	**7**
30	Nisir Microfinance	MFI	4											**4**
31	Adeday Microfinance	MFI											18	**18**
32	Afar Microfinance	MFI		9										**9**
33	Rays Microfinance	MFI								2		2		**4**
34	Gambella Microfinance	MFI						7						**7**
35	Kershi Microfinance	MFI	7							7				**14**
36	Debo Microfinance	MFI	1											**1**
37	Sheger Microfinance	MFI												**0**
			203	**9**	**508**	**25**	**14**	**7**	**6**	**607**	**261**	**29**	**204**	**1873**