Annual Report
Catalysing Digital Financial Inclusion Across Africa
2021
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The Africa Digital Financial Inclusion Facility (ADFI) - putting our mission into practice to catalyse inclusive digital services in Africa and help strengthen livelihoods.

In 2021, the need for greater access and usage of digital financial services to improve lives and build economic resilience has never been greater.

Africa’s economic recovery remains fragile and uneven due to the extraordinary set of challenges from the devastating effects of the Covid-19 pandemic, ongoing gender inequality and marginalisation of key groups, to the accelerating impacts of climate change, possible future health emergencies and persistent social and economic exclusion.

At the beginning of 2021, the African Development Bank estimated that 39 million Africans could slip into extreme poverty over the year, following about 30 million who were pushed into extreme poverty in 2020 as a result of the Covid-19 pandemic.1

The Africa Digital Financial Inclusion Facility (ADFI), a partnership between the African Development Bank and multiple donors, was launched in 2019 to support efforts to bridge the financial inclusion gap, leveraging technology to address current and unpredicted new challenges. Digital solutions can leapfrog barriers and meet the needs of those most vulnerable to economic crises – especially women, farmers, those living in rural areas and small businesses.

We are delighted to share updates on our current initiatives in this report which contribute to enhancing digital financial infrastructure, improving the policy environment, building cyber resilience, deepening the understanding of the barriers to women’s access to fintech services and stimulating customer-led innovation.

The visible progress which has been made demonstrates the potential of digital financial solutions and the need to scale investment to expand and deepen sustainable and transformational impact. We therefore look forward to deepening our dialogue towards greater collaboration in the near future.

1 - African Economic Outlook 2021, African Development Bank
A year of both adaptation to change and focus on achieving our goals to accelerate greater digital financial inclusion in Africa.

With the Covid-19 pandemic and growing recognition of the devastating impact of climate change, gender inequality and social exclusion, the need for digital technology to build resilience and maximise potential, has never been more apparent and critical.

For 2021, like most organisations and programmes, the Africa Digital Financial Inclusion Facility (ADFI) has needed to adapt to the impact of Covid-19 and shift to remote project management and coordination.

We are therefore proud that, together with our partners, we have progressed our catalytic investments that support digital infrastructure, strengthened policy frameworks and inclusive product development and innovation.

ADFI’s initial portfolio of 7 projects were launched in 2021. Spanning the continent and, with gender inclusion as a cross-cutting theme, they aim to enable interoperability, build greater resilience against cyber threats, enhance consumer protection and stimulate gender sensitive product and policy development.
To further our goal to increase digital financial inclusion across Africa, we have also put considerable effort into building our pipeline of projects. A key imperative for ADFI is to work not only across the African Development Bank, but also to collaborate with key stakeholders, potential partners and advocates for inclusive digital financial services from across the financial services ecosystem.

Our unique position within the African Development Bank on the continent and alignment with current integration initiatives allow us to identify opportunities for co-creation and partnership to overcome barriers and react to rapidly evolving needs at country, regional and continental levels.

As our investments are in progress, we have also taken the opportunity to strengthen our monitoring and evaluation function and how we can share the learning and knowledge gained from this work.

Finally, in my role as the ADFI Coordinator, I would like to acknowledge and thank our dedicated ADFI team and Governing Council, as well as our funding partners, the technical teams at the Bank and, of course, our project partners. This collaborative effort has resulted in visible progress this year towards contributing to the goal of greater digital financial inclusion in Africa. I am delighted to share highlights of our achievements over 2021 and look forward to building our project portfolio and partnerships to further our mission in the future.
About ADFI

The Africa Digital Financial Inclusion Facility (ADFI) is a partnership between the African Development Bank and multiple donors, which seeks to catalyse digital financial services to support greater financial inclusion, gender equality and inclusive economic growth across Africa.

ADFI is a blended finance vehicle composed of a multi-donor trust fund with an initial target envelope of USD 100 million and debt-funding of up to USD 300 million from the African Development Bank (AfDB). The facility has a 10 year tenor, running to 2029, and works with actors in both the public and private sector.
Mission

ADFI works to address the systematic barriers to the growth and uptake of digital financial services (DFS) by making strategic and catalytic investments in the DFS ecosystem throughout Africa.

Goal

Support efforts to ensure access for 332 million Africans, of whom 60% are women, who are excluded from digital financial services despite having access to a mobile phone.

Vision

Universal access to digital financial services as a driver of inclusive growth across Africa

Gender inclusion

We mainstream gender across our four strategic pillars, seeking to be intentional in our efforts to support closing Africa’s gender gap in access to financial services. ADFI is committed to its strategy of at least 60% of its projects being gender-intentional, reducing the gender gap in access to resources and 15% being gender transformative, designed to transform gender power relations and actively seek to change gender norms.

60%  Digital Infrastructure
Deployed at country, regional and national level, to enable payment systems or deepen access and usage.

10%  Policy & Regulation
Advocate for changes that promote and strengthen partnerships among digital financial service actors and across borders.

20%  Digital Products & Innovation
Catalyse ideation, development, and scaling of innovations that address community development priorities at country and regional level.

10%  Capacity building
Invest in the elevation of African digital financial service stakeholders’ capacity to advance inclusive growth across the continent and foster increased usage.

Annual Report 2021
Catalysing digital financial inclusion across Africa
Over the last five years, mobile money adoption has increased globally at an average of 20% annually. As of the end of 2020, Sub-Saharan Africa accounted for 46% of all mobile money accounts globally. Sub-Saharan Africa constituted 53% of all monthly active mobile money accounts. About 42% of women-owned MSMEs lost more than 50% of revenue, compared to 37% of men-owned MSMEs. Mobile phone access is a bigger issue for women than it is for men, with women in Sub-Saharan Africa being 13% less likely to own a phone than men.

To counter the impact of Covid-19, there is a greater need for improved Know-Your-Customer (KYC) regulations and management, access to devices, data and digital financial services affordability and connectivity issues in rural areas, as well as improved sustainability, gender inclusion and use of digital technologies. By 2025, 30% of the world’s economic activity will take place on digital platforms. Sub-Saharan Africa constituted 53% of all monthly active mobile money accounts.

About 42% of women-owned MSMEs lost more than 50% of revenue, compared to 37% of men-owned MSMEs.

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3. AFI leaders & private sector share COVID recovery opportunities | Alliance for Financial Inclusion
5. GSMA | Home - Mobile Money Metrics
6. SME Finance Forum | COVID-19 and Women-Led MSMEs in Sub Saharan Africa
Over the last five years, mobile money adoption has increased globally at an average of 20% annually.7

As of the end of 2020, Sub-Saharan Africa accounted for 46% of all mobile money accounts globally.8

Mobile phone access is a bigger issue for women than it is for men, with women in Sub-Saharan Africa being 13% less likely to own a phone than men.9

Agents remain the main gateway for digitising cash in the region - 26 times the reach of ATMs and 58 times the reach of bank branches.10

As of the end of 2020, sub-Saharan Africa accounted for 64% of all mobile money value transacted globally.11

Across Sub-Saharan Africa, over a quarter of all MSMEs were unable to continue operating during the pandemic and almost 90% faced revenue losses, with 40% suffering revenue losses greater than 50%.12

7. GSMA Mobile Money Metrics
8. GSMA | Sub-Saharan Africa - The Mobile Economy
11. GSMA | Sub-Saharan Africa - The Mobile Economy
12. SME Finance Forum
Inclusive digital financial services have the potential to transform the lives of millions of Africans and also to provide them with a powerful tool to respond to emerging issues and strengthen financial empowerment, resilience and economic contribution.

The impact of Covid-19 on poverty and livelihoods, together with growing recognition of the effect of climate change, gender inequality and social exclusion, has exacerbated the need for digital financial services to help bridge the financial inclusion gap. This need is even greater for marginalised groups in Africa who have been pushed further into poverty such as women, young people, farmers, people living in rural areas and small business owners.

In its unique position, ADFI leverages multi-sector collaboration and support from across the African Development Bank to contribute to the overall strategy to support countries to begin building back better from the pandemic, identifying the right policy measures and investments to ensure a return to inclusive and sustainable growth.

Over 2021, ADFI put strategic focus on implementation of projects and country-level engagement to build partnerships and further its role as an advocate for universal digital financial inclusion across Africa by:

- Expanding project pipeline and mainstreaming digital financial services across the African Development Bank
- Developing and deepening partnerships with key stakeholders in the finance ecosystem including regional economic communities, government ministries, regulators, mobile network operators, banks, non-bank financial service providers and fintechs
- Gathering and sharing learning and evidence to influence change and catalyse greater digital financial inclusion across the continent.
ADFI
Project Portfolio

ADDRESS CYBERCRIME ACROSS AFRICA
East & West Africa with HQ in Senegal
USD 2 million
Capacity building | Digital infrastructure

ENHANCE NATIONAL SWITCH IN ETHIOPIA
Ethiopia
USD 2.33 million
Digital infrastructure

HCD RESEARCH INTO SMARTPHONE ENABLED DIGITAL FINANCIAL SERVICES FOR WOMEN
Kenya
USD 0.3 million
Digital products and innovation | Gender inclusivity

EMPOWERING WOMEN SMALLHOLDER FARMERS THROUGH DIGITAL MICROINSURANCE
Kenya, Nigeria & Zambia
USD 1 million
Digital products and innovation | Capacity building | Gender inclusivity

ARTIFICIAL INTELLIGENCE-ENABLED FINANCIAL COMPLAINTS MANAGEMENT FOR CENTRAL BANKS IN AFRICA
Ghana, Rwanda & Zambia
USD 1.04 million
Digital products and innovation | Policy and regulation

PROMOTING GENDER-SENSITIVE DIGITAL FINANCIAL SERVICES, POLICIES AND REGULATIONS ACROSS ECOWAS
15 ECOWAS countries
USD 0.32 million
Policy and regulation | Gender inclusivity

ENHANCING WOMEN’S ACCESS TO DFS IN NIGERIA THROUGH WOMEN AGENTS
Nigeria
USD 0.5 million
Digital products and innovation | Gender inclusion
ACRC

Africa Cybersecurity Resource Centre for Financial Inclusion

This project adopts a three-pronged approach to:

» Create an affordable shared platform to monitor cyberattacks against financial service providers, share information and best practices and respond to incidents;

» Rollout individualised advisory services to enable organisations to bolster their cybersecurity;

» Enhance cybersecurity talent development to help meet Africa’s demand for expertise.

The aim is to stimulate higher levels of awareness and skills around cybersecurity among all stakeholders – for more enabling policy and regulatory frameworks, more effective and efficient management of cyber risks and information sharing, development of online training platforms to develop top-level cybersecurity courses and greater awareness among end-users of cyber risks.

ETHSWITCH

Enhancing the national switch of Ethiopia

This project aims to contribute to improving financial inclusion in Ethiopia from 22% in 2017 to 60% by 2025 with the strategy to:

» Enable the design and implementation of a national payment system;

» Facilitate the deployment and adoption of digital financial services use cases through the national switch. These use cases include e-commerce solutions, transport payment systems, payment of utility bills and digital distribution of social benefits, pensions and other government payments.

The project aims to invest in a digital interoperable platform that would enable diverse multiple digital channels that connects banks and non-banks. Through commercial and financial inclusion use cases, the project caters for both sustainability and social impact interventions. Project will be implemented jointly with the Bill and Melinda Gates Foundation and EthSwitch.
M-KOPA

Human-centred design research for smartphone enabled digital financial services for women

<table>
<thead>
<tr>
<th>Duration</th>
<th>Location</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 March 2021 to 31 March 2023</td>
<td>Kenya</td>
<td>USD 300,000</td>
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</tbody>
</table>

This initiative aims to explore social, cultural and economic factors that impact women smallholder farmers’ access to microinsurance. The project will work to:

> Inform the design and implementation of gender-centric insurance products;

> Offer digital agronomy tips via SMS or social media;

> Reach 360,000 (180,000 women farmers) and develop at least 3 insurance solutions aligned to their needs through a human-centred design (HCD) approach.

The goal of this initiative is to help provide the means for small holder farmers in Africa, of whom nearly half are women, to build resilience against shocks such as the destruction of crops by pests and diseases, failure of seeds to germinate and natural disasters such as droughts and floods.

PULA ADVISORS

Empowerment of women smallholder farmers through digital microinsurance

<table>
<thead>
<tr>
<th>Duration</th>
<th>Location</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 February 2021 to 30 July 2023</td>
<td>Kenya, Nigeria, Zambia</td>
<td>USD 1 million</td>
</tr>
</tbody>
</table>

M-KOPA will conduct a research study to:

> Assess barriers to and opportunities for women’s access to digital financial services and financial literacy programmes via its credit-secured, pay-as-you-go (PAYG) smartphones;

> Use the research insights to design and pilot a digital small loans app that is relevant to small scale women traders.

The overall objective is to better understand the digital financial services needs of women that can be addressed via PAYG smartphones. Focus group discussions and phone surveys will be executed across four counties in Kenya.
**SINITIC & BFA**

**Artificial Intelligence-enabled financial complaints management for central banks in Africa**

<table>
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<tr>
<th>Duration</th>
<th>Location</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>03 February 2021 to 31 May 2023</td>
<td>Ghana, Rwanda, Zambia</td>
<td>USD 1.024 million</td>
</tr>
</tbody>
</table>

This project seeks to support regulators and financial service providers to improve consumer protection frameworks by reducing capacity shortfalls and reliance on manual processes. This will be supported by work to:

- Automate the collection and categorisation of at least 40% of the annual complaint volume;
- Improve complaints processing with an inclusive facility to make complaints in all major languages of 3 countries via messaging apps and SMS feature phones, as well as dialogue with chatbots.

The project aims are to reduce effort for financial service providers to collect customer complaints and enhance customer retention by improving end-user experience and increasing trust and loyalty.

**WAMA**

**Promoting gender-sensitive digital financial services, policies and regulations across ECOWAS**

<table>
<thead>
<tr>
<th>Duration</th>
<th>Location</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 March 2021 to 30 April 2023</td>
<td>ECOWAS member states</td>
<td>USD 320,000</td>
</tr>
</tbody>
</table>

This project aims to research the social-cultural barriers that impede women from accessing digital financial services and address the challenges and opportunities through revision of the existing policy and regulatory framework. This project aims to:

- Execute a gender gap analysis on digital financial services policies and regulations;
- Use the insights from the gender gap analysis to inform the revisions of digital financial services and regulations;
- Work through the established processes in ECOWAS to advocate for the adoption of the gender centric digital financial inclusion policies and regulations;
- Identify and work with gender champions to support digital financial services providers in self-assessment using a gender score card.

At the end of the project, member states of ECOWAS will have an approved execution plan towards adoption of the revised policies and regulations.
**YDFS**

Y’ello Digital Financial Service _ Enhancing women’s access to financial services in northern Nigeria through female agent networks

<table>
<thead>
<tr>
<th>Duration</th>
<th>Location</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 August 2021</td>
<td>Nigeria</td>
<td>USD 500,000</td>
</tr>
<tr>
<td>31 December 2022</td>
<td></td>
<td></td>
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</table>

In Nigeria, nearly half the total population remain unbanked, with greater challenges for women in rural areas due to cultural and social norms. This initiative seeks to facilitate greater gender inclusion by adopting an exploratory approach to:

» Gather insights through a feasibility study on supply and demand for a women-led agent network in the Northern part of Nigeria;

» Identify key drivers for women’s empowerment and women’s access to and usage of financial services;

» Verify research findings and recommendations through women-focused human-centered design, prototyping and piloting.

The overall goals is to gather insights to inform increased financial inclusion in Nigeria, particularly among women.
Annual Report 2021
Catalysing digital financial inclusion across Africa
Financial summary + overview

ADFI’s catalytic investments have the potential to expand access to more than 332 million adults across the continent and, crucially at this time, build economic resilience across all groups. A key focus across all ADFI initiatives is to make digital financial services in Africa valuable, affordable, safe, and accessible to vulnerable people.

ADFI’s target envelope amounts to USD 100 million over 10 years. "Following the initial call for proposals, ADFI seeks to raise the remaining funding gap of USD 54 million from the initial target envelope of USD 100 million and expand its project portfolio by an additional 15-20 projects over the next three years (2021-2023).

Table 1: Committed Contributions by ADFI Governing Council Members in 2021.

<table>
<thead>
<tr>
<th>DONORS</th>
<th>COMMITTED CONTRIBUTIONS (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill &amp; Melinda Gates Foundation</td>
<td>USD 35M</td>
</tr>
<tr>
<td>Agence française de développement</td>
<td>USD 2.25M</td>
</tr>
<tr>
<td>Ministry of Finance – Government of Luxembourg</td>
<td>USD 6.80M</td>
</tr>
<tr>
<td>Ministry for the Economy and Finance – Government of France</td>
<td>USD 5M</td>
</tr>
<tr>
<td>Total Commitments</td>
<td>USD 49.05 M</td>
</tr>
</tbody>
</table>
Table 2: ADFI COMMITMENTS TO APPROVED PROJECTS.
ADFI’s project portfolio counts seven active projects for a total funding amount of USD 7.47M, of which 16% was disbursed in 2021.

<table>
<thead>
<tr>
<th>PROJECTS</th>
<th>Instrument</th>
<th>ADFI FUNDING (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Cybersecurity Resource Centre (ACRC)</td>
<td>Grant</td>
<td>USD 2M</td>
</tr>
<tr>
<td>EthSwitch</td>
<td></td>
<td>USD 2.33M</td>
</tr>
<tr>
<td>M-KOPA</td>
<td></td>
<td>USD 300K</td>
</tr>
<tr>
<td>Pula Advisors</td>
<td></td>
<td>USD 1M</td>
</tr>
<tr>
<td>Sinitic &amp; BFA</td>
<td></td>
<td>USD 1.02M</td>
</tr>
<tr>
<td>West Africa Monetary Agency (WAMA)</td>
<td></td>
<td>USD 320K</td>
</tr>
<tr>
<td>YDFS Nigeria</td>
<td></td>
<td>USD 500K</td>
</tr>
<tr>
<td>Total Projects Portfolio Cost</td>
<td></td>
<td>USD 7.47M</td>
</tr>
</tbody>
</table>

ADFI Core Operation Cost and Overhead

During the reporting period, ADFI spent USD 1.03M on core operations and overhead. This includes budget items such as the AfDB management fees, ADFI core consultants’ honorariums, external consultants, and communications requirements.

Available for Investment

Considering the operations cost & overhead, the expected donor contributions in 2022, the disbursement plans for the active projects, and the current pipeline, the available for investment amounts to USD 10.2M.
USD 51 MILLION DONOR COMMITMENT AGAINST TARGET OF USD 100 MILLION BY 2027

The ADFI partnership works as a pan-African platform to mobilise resources, identify emerging innovative DFS opportunities, connect with local and international partners, share technical expertise and thought leadership in digital finance and replicate learning to drive solutions at scale across Africa.

As well as providing donor concessional funding, the ADFI multi-donor partnership has provided direction and oversight for the activities and achievements made in 2021.

Partnership to the multi-donor fund is open and, with sustained and rising demand for digital financial services across Africa, it is crucial to not only scale up our efforts but also expand and deepen our funding partnerships and networks in order to achieve the goal of gender equality and universal access to finance.

Way forward

ADFI is looking to build on the progress made in 2021, scaling up efforts to develop tools and solutions to overcome persistent barriers and meet new challenges. Plans going forward are to:

- Review and revise our Theory of Change and strategic prioritisation in light of evolving challenges to growing digital financial inclusion
- Strengthen our evidence-based approach by using robust, up-to-date industry data, including the 2022 publication of the Findex data
- Actively share this data with key stakeholders at country, regional and continental level, to better benchmark, design and identify effective interventions.
- Build our blended finance portfolio for scale with collaboration with multi-sector teams across the African Development Bank and with external partners.
- Further expand project pipeline and mainstreaming digital financial services across the African Development Bank
- Develop and deepen partnerships with key stakeholders in the finance ecosystem including regional economic communities, government ministries, regulators, mobile network operators, banks, non-bank financial service providers and fintechs
- Gather and share learning and evidence to influence change and catalyse greater digital financial inclusion across the continent.
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