

# **FINTECH IN AFRICA**

*Redefining banking for the unbanked*

*African countries are home to some of the world's most unbanked populations. In these nations, Fintech and digital banking are redefining what it means to bank the unbanked, says BDO in South Africa.*

## OVERVIEW:

Being the second largest continent in the world, it goes without saying that its pace of development is monolithic in nature, and the vast number of Fintechs on the continent, in the Northern, Eastern, Southern and Western regions, is testament to that. The BDO Africa Fintech landscape provides short bites of Fintech news related to these regions to better give you an overview of what is happening, providing you with some clarity on an evolving and growing industry. As you read the report, remember that our BDO advisors are here to assist on any of your needs across all areas of Fintech.

### NORTHERN AFRICA

While facing challenges of capital and institutionalised systems, the North African region is still developing at an exponential rate, with focuses on Banking as a Service (BaaS) and Super Apps.

### EASTERN AFRICA

East African Fintech is driven by a unique blend of technology innovations, mobile adoption and investor interests. The area has seen a combination of government policy and private sector innovation lead to a technology revolution in the region.

### SOUTHERN AFRICA

Southern Africa is a technological hub in 2022 as it delves into trends of the unbanked, having the highest funding ever, Mobile Network Operators (MNOs), Crypto and Emerging Technology.

### WESTERN AFRICA

Western Africa holds 'Unicorn' investment countries with Fintech trends of easy transactions and customer-centric, cost-effective banking.



## BDO Outlook:

BDO has many offices across West Africa, offering services within the Fintech industry such as auditing, project assurance, advisory as well as outsourcing services. There are many different services which BDO offers as a firm and is expanding its service offering across West Africa with the intake of specialists as well as providing more advisory services. BDO is focused on gaining more advisory work over Fintechs as opposed to being restricted to core auditing services.

# NORTHERN AFRICA

*While facing challenges of capital and institutionalised systems, the North African region is still developing at an exponential rate, with focuses on Banking as a Service (BaaS) and Super Apps*

## DEMOGRAPHICS & MARKET LANDSCAPE

It is estimated that by 2050, the Northern African region will be the second most populated region behind Asia. From 2022 the African population is estimated to grow by an additional 1 billion people.

As of 2022, the Northern African region is the third most populated of the five general regions of Africa, with a 1.84% growth rate.

When discussing fintech in the region, Northern Africa does not get the limelight as much as its neighbouring areas.

In North African, countries such as Algeria, Tunisia and Morocco have Fintech developments that have lagged behind their sub-Saharan African counterparts (for example, Nigeria and South Africa). However, this opens up a virtually un-tapped industry to develop, of which governments have begun to realise.

### EGYPT

*“With Financial Inclusion being one of the highest priorities of the current administration, digitization is only flourishing in Egypt on all levels, and with such vision, Fintech is becoming the main player driving all stakeholders involved to converge towards a cashless environment, by introducing a national payment scheme with the issuance of 20M 'meeza' prepaid cards, taxes being paid using e-finance platforms, obligating all companies to issue e-invoices, obligating e-receipts to be issued by retailers, instant payment solutions introduced, mobile banking, governmental fees and beyond being paid using e-payment platforms, and with all such development taking place, worldwide Fintech players have started to invest in the country. Not only that, but the Central Bank of Egypt recruited top-notch calibers to lead the Financial Inclusion initiatives and ensure speedy implementation plans.”*

- MOHANAD T. KHALED - FCCA, MBA, Managing Partner, BDO Egypt

Fintech in Egypt is extremely advanced, with many Fintechs rising up.

- ▶ Egypt's national e-commerce policy, crafted with private sector partners (Mastercard) and the United Nations Conference on Trade and Development (UNCTAD), was introduced in 2018 to double the footprint of businesses selling products and services online in the country by 2020.
- ▶ Fintech in Egypt is perhaps the most advanced market in North Africa with about 40 players, according to an INVYO report.
- ▶ One of the brands with a growing presence the Cairo Fintech space is [Dopay](#), a start-up that allows employers to pay employees via cell phone. The start-up raised US\$2 million in April 2015 and was part of Barclay's accelerator program in 2014.
- ▶ Egypt also hosts a large number of e-payment solutions that are 100% Egyptian solutions, such as E-Finance (mainly used for governmental payments, and beyond), Fawry, Bee, and Masary.
- ▶ Sawari Ventures North Africa Fund I (SVNFI) by Cairo-based Sawari Ventures, a new fund that is looking to raise US\$70 million to invest in growth stage companies in different sectors including information and communication technology (ICT), deep technology, Fintech and education technologies (edtech) in Egypt, Tunisia and Morocco.

### TUNISIA

Tunisia is seeing a rise in governmental support for Fintech start-ups in parallel with the Tunisian Post Service.

- ▶ In Tunisia, a significant proportion of citizens are already accessing financial services through the country's [La Poste Tunisienne](#) (Tunisian Post) service. Though not a bank nor a microcredit firm, an estimated over six million people have postal financial accounts in Tunisia, according to a Okahr report.
- ▶ Of those in the country that are part of a formal financial service, 90% of them are with the La Poste Tunisienne system, which offers a large array of Fintech products from mobile financial services, domestic and international remittances, bill payments and smart card purchases.
- ▶ Tunisia also has several homegrown Fintech start-ups, including:
  - [Expensya](#), an expense management software developer that recently raised EUR 4 million
  - [I-Fintech Solutions](#), an investment advisory firm focused on Islamic Fintech solutions which signed a partnership with Saudi Arabia's Islamic Development Bank Group (IsDB) to develop a pipeline of products to solve liquidity management
  - [Kaoun](#), a payment and credit scoring start-up using data science.
- ▶ Tunisia passed the Startup Act last year, a law which sets out government's policies for start-up growth that came out after two years of deliberations with legislators engaging entrepreneurs, civil society and investors.
  - As part of its provisions, the law supports start-ups in funding, grants them exemptions from corporate taxes, allows employees up to a year off from their current jobs to run their outfits, provides a government-sanctioned salary to founders, and helps firms file for international patents.
  - According to Walid Hached, a former banker and the COO at Tunis-based coworking space Cogite who helped draft the act, the Tunisia Startup Act is a blueprint for how other African countries can create a supportive environment for entrepreneurs and tech startups from the "bottom-up."
- ▶ Earlier this year, Tunisian private equity firm AfricInvest partnered with San Francisco-based Cathay Innovation to launch the Cathay AfricInvest Innovation Fund. With a projected size of about US\$170 million, the fund would be one of the largest venture capital funds in Africa. It will invest in technology startups all across Africa and even non-African startups looking to expand into the region.
  - Khaled Ben Jilani, a senior partner at AfricInvest told MENabytes, that although the fund is sector-agnostic, they are specifically looking at opportunities in logistics and mobility, fintech, software, energy innovation, healthtech and edtech.

MOROCCO

*“The Fintech market is on the rise in Morocco, and while still a small group, those fintechs that are in that group are very innovative. We are looking at a real opportunity to turn Morocco into a financial technology hub. Open innovation is a lever to accelerate the innovation of our fintech’s. It’s up to us to connect them to funds dedicated to start-ups so that future, unicorns stay and grow in Africa. BDO is involved in this matter supporting Hub Africa the platform which support the start-ups.”*  
 -Zakaria Fahim, Managing Partner, BDO Morocco

Morocco is seeing a rise of companies expanding from their various sectors and adapting into Fintech.

- ▶ In Morocco, e-commerce platform Hmizate expanded into Fintech last year with the launch of Hmizate Pay, an all-in-one mobile commerce and payment platform. Hmizate said its new payments platform provides users with an e-wallet they can use to book, buy and pay for everyday needs. The app offers instant cashback that rewards customers for most in-app purchases.
- ▶ The first universal unit of value for converting loyalty points was launched in Morocco:
  - The African leader in customer capital management, 2WLS, launches its new platform «Tookeep». 100% digital, this platform allows for the conversion of points credits held by beneficiaries of loyalty programmes with 2WLS partners into a single unit of value: Tookeep. “Our solutions, which are 100% digital, now allow any holder of a loyalty points balance with one of our partners, to use the Tookeep, as a universal unit of value to access all the marketplaces developed by 2WLS”, announces Hicham Amadi, CEO of the company. With a global marketplace, Tookeep will enable artisans, farmers, manufacturers and other object manufacturers, from anywhere in Africa, to offer their items as tradable goods. Finally, designers and developers of applications and other commerce solutions will be able to freely access the Tookeep platform to create the transactional component.
- ▶ **Outlier Ventures**, an Africa-focused venture capital firm based in Casablanca, was launched in January 2017 to invest in tech-enabled companies in the sectors of Fintech, insurtech, agritech, healthtech, B2B marketplaces, and logistics, among others.
- ▶ Moroccan banks and incumbents are also getting into the Fintech game.
- ▶ The Popular Central Bank (BPC) group, one of Morocco’s leading banking institutions, launched in November 2018 the Fintech Challenge, a program aimed at identifying promising startups for partnership opportunities, and CFG Bank has been working with US-based digital banking tech specialist Kony as part of the bank’s “digital-first banking” strategy.

ALGERIA

Algeria has Fintech innovation sitting on its horizon, with education of young professionals being a core focus in the development of the Algerian Financial Services industry.

- ▶ In Algeria, Sylabs, a tech hub and incubator, and Natixis Algérie, the Algerian subsidiary of Natixis bank, signed an agreement last year to boost fintech innovation in Algeria. The partnership focuses on creating synergies between the two entities to foster Fintech and train young professionals and start-ups on the developments of the traditional banking and financial services industry.
- ▶ Algeria has also welcomed a new incubator called IncubMe, which intends to partner with corporates in investing in selected start-ups, assist with prototyping, and provide entrepreneurs with access to their networks.

FINTECH

START-UPS

Investments into start-ups in Northern Africa:

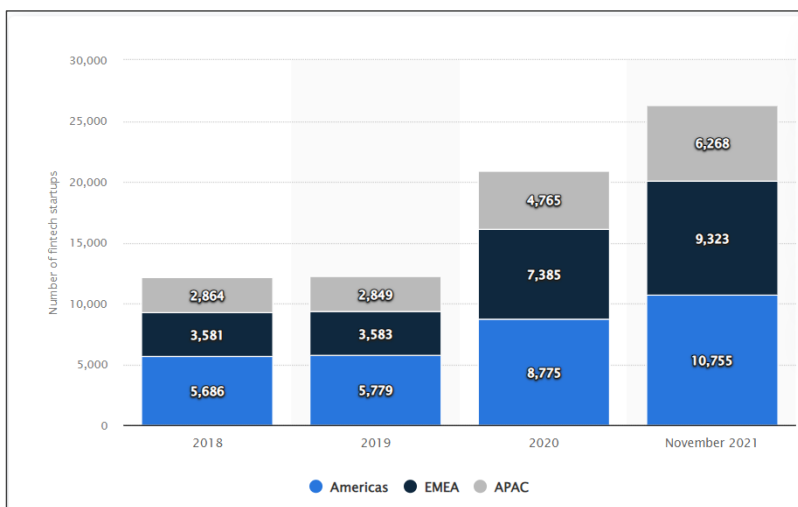


Figure 1: EMEA (Europe, Middle East, Africa), APAC (Asia Pacific)

- ▶ Total investments into Fintech companies in EMEA fluctuated considerably between 2017 and 2021, reaching approximately 9.8 billion U.S. dollars as of the fourth quarter of 2021. The largest value of investments was made in the third quarter of 2019, when investment into Fintech companies in the EMEA region reached a value of 55.6 billion U.S. dollars.
- ▶ According to a survey on the Financial Technology sector in the Middle East and North Africa region in 2020, 50% of respondents stated that the banking Financial Technology adoption was in the deploy-for-efficiency stage. Although Financial Technologies are crucial players of the region’s emerging ecosystem, they have to be deployed by banks as their strategic partners.



- ▶ In 2020, Fintech start-ups from Egypt and Tunisia were among the 12 selected for Village Capital's Finance Forward MENA accelerator, which offered five peer-selected companies a share of US\$150,000 in funding from MetLife Foundation.
- ▶ Twelve start-ups were selected to take part, including three from Egypt, namely PayMint, Khazna, and Valify Solutions. Tunisia's We-Settle was also a participant.
- ▶ The accelerator provided the start-ups with five weeks of online and in-person training focused on improving their business models and making their financial health solutions available to those who need them most in the current economic climate. Start-ups worked closely with mentors, potential clients and partners, and investors.



## TOP FINTECH START-UPS IN NORTH AFRICA

### 1. PAYMINT

- ▶ Fintech startup located in Egypt that provides businesses with payment solutions that enable business owners to have their payroll management system, a cashless payment, and fringe benefits for their employees thereby improving the employees' loyalty and morals.
- ▶ Paymint also gives the employees privileges of having access to banking products and services and ensures that their salary is available all the time.
- ▶ Paymint is one of the North African startups that got into Village Capital's Finance Forward MENA accelerator program.

### 2. KHAZNA

- ▶ This Fintech Startup is also located in Egypt, Khazna was also accepted into Village Capital's Finance Forward MENA accelerator program.
- ▶ Khazna offers services to both employees and business owners. The business owners can use the Khazna app to pay the bills and salaries of people employed in their organization.
- ▶ Khazna is used by employees to pay bills even before their salary drops at no extra cost. In case of emergency, they are also handy as their services can also be employed for payments.

### 3. WE-SETTLE

- ▶ This is a Tunisian-based Fintech start-up that offers payment and invoice processing solutions to businesses. We-Settle was also accepted into Village Capital's Finance Forward MENA accelerator program.
- ▶ We-Settle solutions allow invoices to be digitally processed and payments collected virtually at a minute service charge. We-Settle also sends reminders for invoice payment as at when due.
- ▶ We-Settle has a user-friendly interface in its apps and website and offers its services in three different languages English, Arab and French language.
- ▶ We-Settle solutions are simply easy to use, secure as it uses a multi-factor authentication process, efficient and cost-effective.

### 4. FINKEYS

- ▶ This Fintech start-up offers financial and wealth management services. It is located in souissi, Morocco.
- ▶ FinKeys helps its clients save and then invest their funds into various ventures. FinKeys oversees these investments and ensures the returns are profitable to their clients.
- ▶ The investment areas include Real Estate, Crowdfunding, Equity, Bonds and so many others. The startup aims at helping its clients achieve financial stability and freedom.

## FINTECH CHALLENGES

### 1. CAPITAL

- ▶ Capital has been a major challenge in the last five years, and while there has been a significant increase in VC funding to the African tech ecosystem recently, over \$5 billion is still relatively low compared to other emerging markets, such as Latin America.
- ▶ The ecosystem is still dependent on international capital, which means that it's not self-sufficient and does not have robust local angel networks and institutions that have sizable allocations to venture.

### 2. INSTITUTIONAL SYSTEMS

- ▶ In addition, founders face challenges stemming from the institutional voids in Africa, such as lack of experienced local tech talent and punitive or unclear regulations, making it harder for companies to operate efficiently.
- ▶ Developing local tech talent is more important because it's also what makes the ecosystem self-sufficient and keeps local tech hubs at the forefront of innovation.



### 3. COVID-19 PANDEMIC

- ▶ The COVID-19 pandemic has accelerated the perception of MENA regulators of the importance of fintech. Regulators highlighted the supportive role that Fintech has in achieving their objectives. For example, most surveyed regulators perceived fintech to be supportive in market development (85%), promoting financial inclusion (77%), promoting competition (69%) and in promoting the broader adoption of digital financial services (62%). It is notable that regulators from MENA viewed fintech to be more supportive to their objectives than the global average, and the difference is particularly striking in terms of market development (85% in MENA relative to 61% globally) and in promoting competition (62% in MENA relative to 47% globally).
- ▶ As a response to the challenges relating to the COVID-19 pandemic, 46% of regulators surveyed in MENA have introduced new measures relating to KYC, AML and digital identity. In addition, regulators have launched measures and initiatives to support economic relief (46%), business continuity (38%) and cybersecurity (23%).
- ▶ 75% of MENA regulators who responded to the COVID-19 survey perceived an increase in cybersecurity risk related to fintech during the pandemic. This was in addition to a perceived increase in operational risks (67%), fraud and scams (33%) and consumer protection risks (25%). The concerns of MENA regulators regarding cybersecurity and operational risks are generally shared by regulators around the globe, although it is notable that there is an enhanced perception of the increasing risks of fraud in the region when compared to the global average (33% in MENA compared with 18% globally).

### 4. REGULATORY FRAMEWORKS

For sampled jurisdictions in MENA:

- ▶ 92% have established regulatory frameworks for payments, with 8% of these frameworks specific to digital payments.
- ▶ 92% have established a regulatory framework for e-money.
- ▶ 80% have a regulatory framework for international remittances in place.
- ▶ 67% have a bespoke framework that regulates P2P lending.
- ▶ 17% have prohibited P2P lending, while 17% treat it as unregulated or self-regulated.
- ▶ 69% have a bespoke equity crowdfunding framework, with a further 8% planning to introduce a framework. 8% have prohibited this activity, and 15% treat it as unregulated or self-regulated.
- ▶ 92% have a general regulatory framework for cybersecurity and 8% have a cybersecurity roadmap/strategy.
- ▶ 54% have introduced additional measures on cybersecurity since the start of COVID-19.
- ▶ 69% have a broad framework for data protection in place. In addition, in 85% of sampled jurisdictions, at least one financial regulator has implemented a financial services specific data protection framework.
- ▶ 23% have regulatory frameworks in place for open banking, with a further 54% planning to introduce a framework.
- ▶ 92% have financial consumer protection frameworks in place. Jurisdictions have implemented these frameworks in a variety of ways: Morocco has general consumer protection laws with a set of explicit provisions regarding financial services, Bahrain has specific consumer protection provisions within their financial sector legal framework, alongside a more general consumer protection law.
- ▶ Financial consumer protection is an area of concern that has been elevated by COVID-19, with 64% introducing additional measures since the onset.
- ▶ There is a tendency in MENA to have the central bank (46%) as the main regulator of AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) issues, while 38% have multiple authorities with a mandate for AML/CTF.

### 5. REGULATORY INNOVATION

- ▶ A review of all MENA jurisdictions for regulatory innovation initiatives reveals a significant increase in activity over the last two years.
- ▶ These initiatives may help to facilitate increased engagement between regulators and Fintech firms, while helping to create an environment that is more conducive to the growth of the fintech sector. They may also be useful in streamlining authorisation processes and reducing the time it takes for firms to get to market. This is reflected in the high demand by the private sector for regulatory innovation initiatives, with 59% of fintech firms surveyed in MENA suggesting they “urgently need” exemptions to operate new financial services or products, and 54% demanding a faster turnaround for the authorisation and licensing of new activities.



## 6. REGULATORY CHALLENGES

- ▶ MENA regulators reported several hurdles in the establishment of regulatory frameworks and innovation initiatives. The obstacles in forming regulatory frameworks include:
  - Limited technical skills
  - The need to coordinate activities of multiple regulators
  - Limited funding/resources for the regulator
  - The small size of the industry making it harder to justify a supervision regime
- ▶ Regulators have cited several factors related to the pandemic which are affecting their ability to effectively develop their responses to fintech, with specific challenges around:
  - Performing core functions while working remotely (e.g., carrying out on-site visits)
  - An increased demand of/on resource.

## 7. ETHICAL USE OF ARTIFICIAL INTELLIGENCE (MENA REGION)

- ▶ Often, FinTech solutions adopt AI (including machine learning) technologies, mathematical rules or algorithms to automate certain tasks and make decisions - Chatbots, Robo-Advisors, fraud detection and claims management software and predictive analysis in financial services.
- ▶ Under some regional data protection laws (for example the Bahrain Data Protection Law), an individual may object to decisions that are made solely on automated processing of personal data intended to assess him / her (for example in the context of a loan application).
- ▶ Guidelines have been developed around the world to provide a framework for the ethical use of AI. Regulators globally have in general sought to avoid enacting laws so as to avoid stifling innovation, therefore, generally a soft regulatory approach is believed to help the industry flourish whilst enabling regulators to better understand the associated risks. The focus is more on working with business to develop an agile approach to regulation that is industry specific.
- ▶ Guidelines are focused on ensuring that AI is explainable, non-discriminatory, unbiased, fair, transparent and accountable.

## 8. DATA PROTECTION

- ▶ Compliance with a raft of data protection regimes is a key concern for FinTech offerings as the underlying systems and applications contain vast amounts of data, including personal data.
- ▶ From a data protection perspective: Banks, FinTech firms and other technology vendors will need to ensure they have in place appropriate documentation (policies, protections and agreements).

## 9. CLOUD AND CYBER SECURITY

- ▶ The risk of data breach increases as banks and FinTech firms collaborate and novel business models such as BaaS become more common.
- ▶ Well known FinTech platforms could be an easy target for cyberattacks, and in addition to the measures noted above, FinTech firms and banks ought to ensure they have adequate cybersecurity and cyber insurance in place to meet regulatory requirements.

## 10. OPEN BANKING

- ▶ Open Banking started out as a regulatory initiative in the EU as part of a concerted effort to increase competition and innovation in the banking sector, which is now gaining momentum globally. In certain countries, such as Bahrain, banks are required to share customers' financial information with authorised third parties, resulting in numerous benefits, namely:
  - Third parties can access consenting bank customers' financial information in order provide alternative or new offerings to such customers
  - Banks are able to deliver a better experience to its customers by enriching their offerings
  - Customers can access their data in real time and share their information with other parties
- ▶ It is envisaged that Open Banking will lead to 'open finance' and ultimately 'open utilities' as the model can be replicated in other industries such as utilities and real estate.

## 11. TECHNOLOGY CONTRACTING RISKS

- ▶ Collaboration and outsourcing with FinTech firms and other technology vendors can subsequently introduce new points of compliance failure for banks, particularly in an environment where the technology supply chain and ecosystem is becoming ever more interconnected and complex.
- ▶ The proliferation of numerous FinTech solutions, third-party software, and cloud services etc. requiring configuration, integration and/or implementation with legacy technology infrastructure will require special contracting focus in order to ensure regulatory compliance and mitigate risk.

FINTECH TRENDS & PREDICTIONS

Potentially, big tech companies (Apple, Google and Facebook) want to become a bank in a bid to increase revenue (essentially by offering financial services to their existing customer bases). However, there are some competition law hurdles that they will need to overcome, particularly if they wish to do it without partnering with a licensed financial services provider.

- ▶ Banking-as-a-service ('BaaS'): this is an extension of the 'as-a-Service' model that is prevalent in the technology industry and presents banks that have embraced digital solutions to monetise their regulated infrastructure by granting access to FinTech firms that will pay fees to access a bank's BaaS platform via APIs. This in turn, enables FinTech firms to use the APIs to build new financial services solutions.
- ▶ Super Apps: Bundling of offerings and thus the dominance of 'Super Apps', as consumers will find it difficult to (ironically) stay on top of adjusting to and using multiple applications, each with a different offering.
  - Grab, WeChat and Go-jek in Asia have taken advantage of their strong customer bases and existing platforms to expand into new segments and provide consumers with a less fragmented experience that allows you to take a car ride, book hotels, order food delivery, get documents and parcels delivered, transfer funds, and make in-store and online purchases.
  - Careem locally is moving to leverage its existing ride-hailing infrastructure to become the super App of the region.

AFRICAN TECH MOVES FROM JUNE 2022

Figure 2: In June 2022, African startups made 36 fully disclosed\* raises totalling \$426,280,000 million. This amount is a 2.4% decrease from May 2022's \$437,100,000.



Figure 3: Per sector, the top 3 sectors in June are Fintech, energytech, and mobility/logistics. Fintech startups raised \$305,430,000 (71.7%), energytech startups raised \$35,700,000 (8.4%), and mobility/logistics startups raised \$32,700,000 (7.7%).

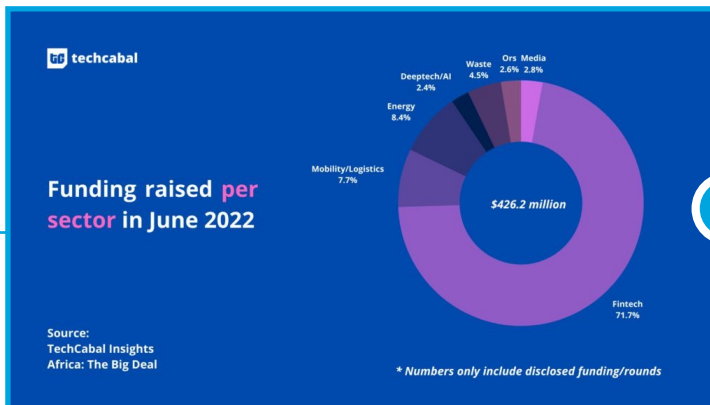
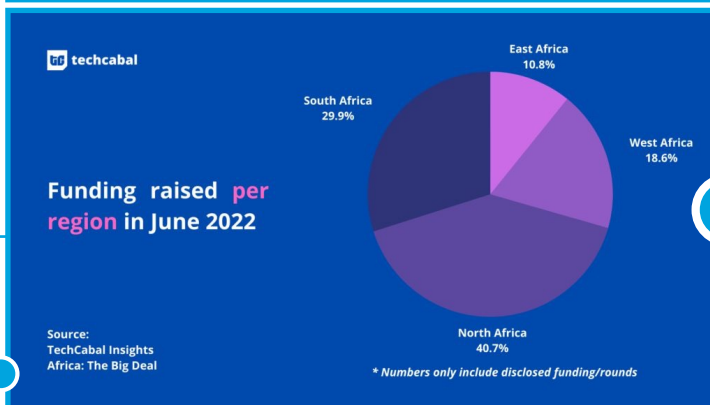


Figure 4: Per region, North Africa led with \$173,300,000 of the funding, with Fintech MNT-Halan's \$150 million at the helm. South Africa came a close second with \$127,500,000, while West and East Africa followed with \$79,430,000 and \$46,050,000 respectively.



Click here to view: [The leading African tech moves from June 2022](#)



## 1. TOP FIVE DISCLOSED DEALS IN JUNE:

1. Egyptian fintech super app's MNT-Halan \$150 million bond issuance.
2. MFS Africa's \$100 million Series C extension.
3. Ghana-based fintech Fido's \$30 million raise.
4. South African energytech Yellow Africa's \$23 million raise.
5. Moove Africa's \$20 million debt funding from British International Investment (BII).

## 2. MTN ALLEGES \$53 MILLION MOBILE MONEY FRAUD

Less than 2 months after the launch of its mobile money payments service bank (MoMo PSB) in Nigeria, telco MTN in June reportedly took 18 Nigerian banks to court over a \$53.7 million fraud allegation.

According to the telco, the fraud was committed over a total of 700,000 transactions, over a one-month period, and the amount was transferred in error to 8,000 accounts.

## 3. FLUTTERWAVE HIRES 2 NEW C-SUITE LEADERS

Africa's biggest unicorn, Flutterwave, made some pretty important hires last month.

Former managing director at Goldman Sachs, Gurbhej Dhillon, joined the fintech startup as chief technical officer (CTO) while former vice president of American Express, Oneal Bhambani, also joined the company as chief financial officer (CFO).

## 4. KUNE SHUTS DOWN

It's no news that about 70% of startups fail at the pre-seed or seed stage, and Kenyan food delivery service Kune's shutdown came as little surprise to Kenyans.

Less than a year after raising \$1 million to solve a problem many Kenyans believe does not exist, Kune shut down in June after founder Robin Reecht announced on LinkedIn that they had run out of money.

## 5. VEZEETA LAYS OFF 10% OF STAFF

About 15,900 tech workers from startups across the globe were laid off in June 2022.

In Africa, Egypt- and Dubai-based healthtech startup, Vezeeta, laid off about 10% of its staff. Its LinkedIn profile says it has 500 staff, so about 50 workers must have been laid off.

This news comes a month after another Egypt- and Dubai-based startup, Swvl, laid off 32% of its workforce.



## EASTERN AFRICA

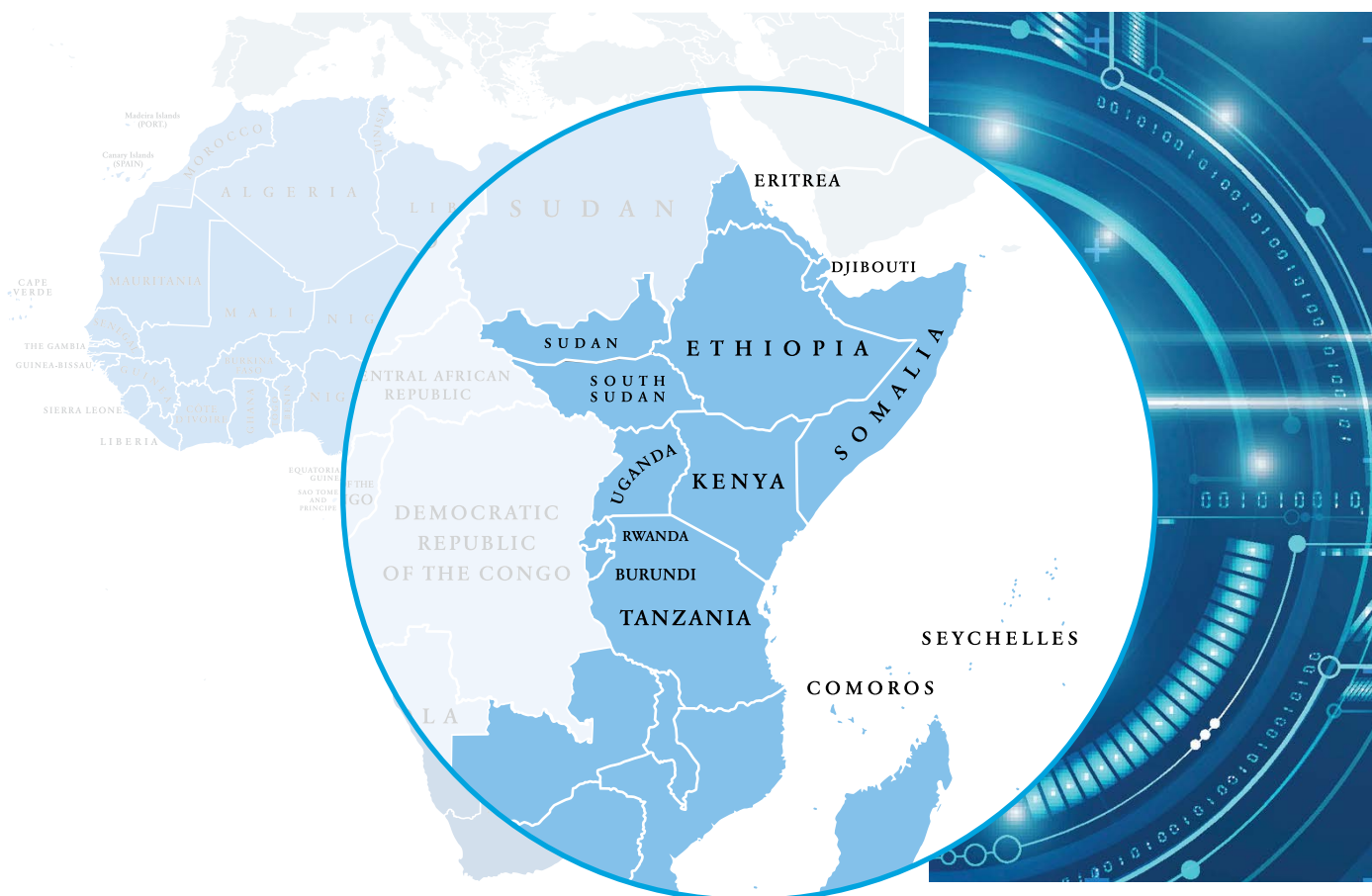
*East African Fintech is driven by a unique blend of technology innovations, mobile adoption and investor interests. The area has seen a combination of government policy and private sector innovation lead to a technology revolution in the region. We are always ready and willing to find the most appropriate fintechs for our clients and offer a range of services to them to make these deals successful. I am incredibly proud of our ability to collaborate across the continent and globally to bring value to our clients." - Sandeep Khapre, Regional CEO, BDO East Africa*

### DEMOGRAPHICS & MARKET LANDSCAPE

- ▶ The East Africa region covers 13 countries with overlapping memberships in four African Union-recognized regional economic communities.
- ▶ East Africa has been the continent's fastest-growing region and is subsequently home to several of the fastest-growing economies, including Ethiopia, Djibouti, Kenya, Rwanda, Tanzania, and Uganda.
  - In 2020, Tanzania became the latest country in the region to graduate from low-income to middle-income status, joining three of its neighbours in the World Bank's lower middle-income category – Kenya, Comoros and Djibouti. The Seychelles is classified as high-income.
- ▶ The region's growth rate averaged 4.9% in 2018 and 5.3% in 2019, compared with 3.3% and 3.4% in Africa overall. It was also the only region in Africa to avoid a recession during the pandemic.
- ▶ East Africa's overarching development challenge is the slow pace of structural transformation and limited progress towards inclusive growth.
- ▶ Underlying development challenges include:
  - poor infrastructure connectivity, especially in transport and power
  - persistent non-tariff barriers to trade
  - limited economic diversification
  - slow implementation of regional agreements
  - weak capacity within the regional economic institutions

These constraints are compounded by geographic, spatial, and social factors, such as the large number of landlocked countries (5 out of 13), the geographic isolation of small island states, and pervasive fragility (6 out of 13 countries).

### COUNTRIES OF EAST AFRICA



## FINTECH

### OVERVIEW OF FINTECH IN EAST AFRICA

Fintech is a rapidly growing industry in the East Africa region driven by a unique blend of technology innovations, mobile adoption and investor interests.

A combination of government policy and private sector innovation has led to a technology revolution in the region: the M-Pesa revolution, government investments in Konza City and launch of innovation labs in the country have made Kenya the technology hub of Africa.

- ▶ This niche market is estimated to be worth \$1 billion (2019).
- ▶ This revolution has also brought about an increased flow of VC funding to the region: In 2016, out of a total of \$121.9 million invested in East Africa start-ups, Kenya accounted for 76% of this amount. Identifying the immense technological opportunities present not just in the region, but also the continent, multinationals have set up offices to leverage the market. Kenya serves as the regional office for most of these multinationals which include Google, IBM, Oracle, and Visa International.

### FINTECH TRENDS & PREDICTIONS

- ▶ **Kwara:** PaaS/ BaaS aiding organisations and users in tracking their funds, through SACCOs.
  - Founded by Cynthia Wandia in 2018, it offers a platform-as-a-service (PaaS) / banking service (BaaS) and aids savings and credit cooperative organizations (SACCOs) access funds, banks, and other financial services.
  - SACCOs account for over thirty percent of Kenya's savings platform. Kwara signs up their users on any SACCO of their choice and they can track their finances and access loans easily from the Kwara platform.
  - In 2019, Kwara won the Global Fintech Hackcelerator in Kenya and was among the selected Fintech start-ups in the BFA Global Catalyst Fund recent cohort.
- ▶ **Nala:** Fintech start-up located in Tanzania that provides a platform that allows users to conduct Peer-to-Peer transactions, make payments, pay bills, and other general financial activities without an internet connection.
  - Nala was founded by Benjamin Fernandes in 2017, and in 2018 it won the Ecobank Fintech Challenge and in 2019 was accepted in the Y-Combinator.
  - Nala focuses on helping their users grow financially as it believes everyone can walk the path of financial excellence, therefore as well as savings users are offered investment opportunities too.
- ▶ **A-Trader:** The first African trading platform powered with AI.
  - Fintech start-up from Tanzania, East Africa, founded in 2016 by Andrew Tesha. A-Trader's highlighted working initiatives are centered around bridging the gap between Africa and the European financial sector. A-Trader enables everyone on its platform to trade alike on Dar Es Salaam Stock Exchange (DSE). A-Trader uses data science and AI on its platform to provide both savings and investment opportunities that can be accessed using either a smartphone or a USSD phone.

### FINTECH EAST AFRICA: INVESTMENT/M&A/IPO

There has been an influx of investment into the sector over the recent period, yet more investment is required.

- ▶ There was an estimated US\$722 million invested in Fintech across East Africa between 2010 and 2017.
- ▶ Disrupt Africa further report that amidst a 51% increase in venture funding for African startups in 2017, from US\$129 million in 2016 to US\$195 million in 2017, 1/3 of venture funding raised was by the Fintech sector, where Kenya was a leading investment destination.

Whilst sizeable sums of money are being invested into the sector, where relatively small investments can make a disproportionately large impact on how the sector operates and to the socioeconomic development of the region, most of these investments originate externally. Only 28%, or US\$202 million, of all fintech investments in East Africa between 2010-2017 were from East African sources.

### TOP FINTECH INVESTMENTS IN EAST AFRICA

- ▶ **Turaco:** An inclusive insurance solution for emerging markets (Kenya, Uganda, Nigeria and USA)
- ▶ **Direct Pay Online:** Largest and fastest-growing African payment gateway (23 countries)
- ▶ **Pezesha:** Digital financial infrastructure that connects small and medium sized businesses to working capital (Kenya)
- ▶ **Digiduka:** Online payment and product shop (Kenya)
- ▶ **Cherehani Africa:** Loans (Kenya)
- ▶ **PesaKit:** App that allows mobile money agents to become the go-to shop for affordable financial and digital services (Kenya)
- ▶ **Alternative Circle:** Digital lending and solutions (Kenya)

## AFRICAN TECH MOVES: BDO

### BDO EAST AFRICA FINANCIAL SERVICES

- ▶ Fintech experts at BDO East Africa: Million Kibret, Managing Partner, BDO Ethiopia



# SOUTHERN AFRICA

*Southern Africa is a technological hub in 2022 as it delves into trends of the unbanked, having the highest funding ever, Mobile Network Operators (MNOs), Crypto and Emerging Technology. Accounting for 40% of all fintech revenue in Africa, South Africa boasts a mature fintech market with a strong focus on advancing the current landscape. We have particularly seen a rise in clients needs in the Emerging Technology space, as we head deeper into the world of digital banking as a nation. We are growing our business into areas of Fintech we didn't imagine we could be, with people taking on job roles that didn't exist before, because neither did this tech. It is all exciting and BDO is thrilled to be a pioneer in this area, as we continue to lead in the space."*

- Nevellan Moodley, Head of Financial Services Technology, BDO South Africa

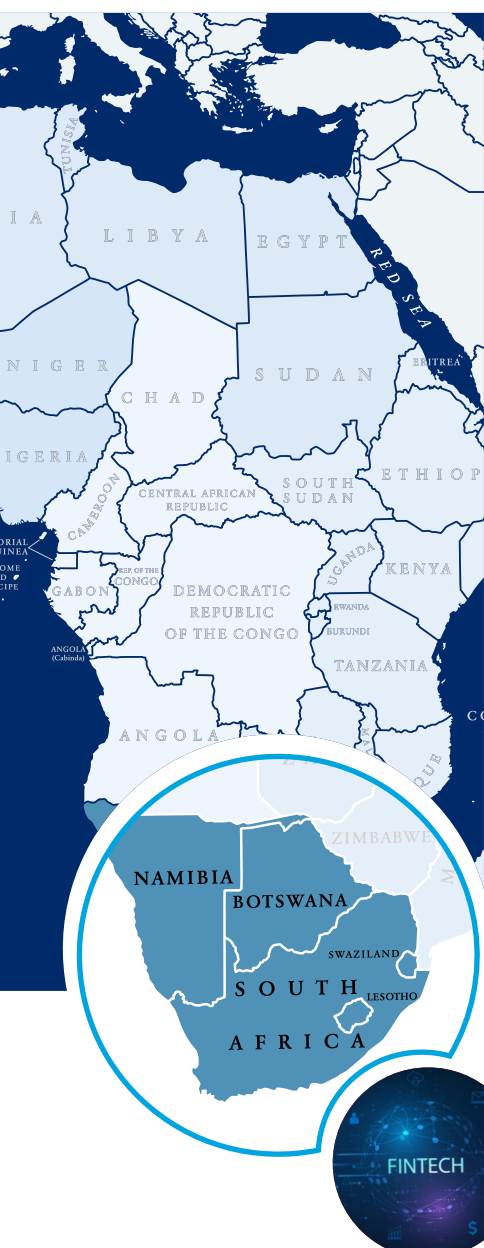
## INTRODUCTION

Southern Africa is home to an estimated 69 million people and includes 11 countries: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe, with South Africa having the leading edge on the technological front as well as the greatest number of citizens. While many of these countries are developing and introducing Financial Technology, this portion of the article is going to focus predominantly on the Fintech scene in South Africa.

## FINTECH

### OVERVIEW

The Covid 19 pandemic has led to a change in consumer behavior increasing digitalization and the use of Fintech platforms. The global funding of Fintech has more than quadrupled and the number of Fintech companies has more than doubled since 2020. African Fintech funding increased from half a billion dollars in 2020 to 2 billion dollars in 2021.



## FINTECH TRENDS & PREDICTIONS

### 1. THE UNBANKED:

Given that a large portion of African people are still unbanked, there is a large market to tap into and many Fintechs and banks are trying to solve this problem and tap into this market. Fintechs in South Africa are providing solutions to the continent to create seamless borderless transactions. Furthermore, many banks are partnering with new Fintechs to solve this problem as well as many others.

### 2. HIGHEST FUNDING EVER:

Globally funding has exponentially increased. On the African continent it is the same. As mentioned above, funding increased from half a billion dollars in 2020 to 2 billion dollars in 2021 in Africa. Fintechs such as Entersekt and Yoco are amongst those to watch. US investors have raised hundreds of millions of dollars to contribute to the growing tech scene.

### 3. ESG:

Environmental, Social and Governance has become a focused practice in the Fintech scene. Parametric insurance, commonly developed with smart contracts, has become a key example of how innovation coupled with environmental aspects, such as climate change. These smart contracts will not only ensure accuracy and efficiency in a claims process, but also cut out lead times.

### 4. WELLNESS:

Discovery has become a key leader in this sphere. With their Vitality program, the company has coupled their product, whether it be insurer, medical aid or bank, with how one spends their money and how active one is in their life. Should one be active, healthy and spend wisely, the Discovery Vitality program rewards its users with miles to spend on their platform. These miles can be used for a variety of products including a coffee, a grocery voucher, or a voucher to a tech or clothing store too.

### 5. MOBILE NETWORK OPERATORS (MNOs):

As spoken about in the Western Africa section, MNOs are key to watch in the space. The banking sphere is competitive in South Africa, and should the MNOs be granted a mobile money license; competition will become even tighter.

### 6. CRYPTOCURRENCIES:

The Crypto scene has been incredibly turbulent in recent times. However, with the rise of Fintechs, and with growth of companies such as Luno, more mainstream usage and adoption of cryptocurrencies is expected.

**7. INCREMENTAL PAYMENTS:**

Payflex allows businesses to offer incremental payments to their consumers. A consumer can make a purchase and pay it off incrementally interest free. This has allowed consumers to pay off products over time while still paying the same amount.

**8. EMERGING TECHNOLOGIES:**

As technology continues to exponentially improve, an array of new innovative solutions will arise. Through IoT technology, Artificial intelligence, Big Data and numerous other types of emerging technology and trends, we expect to continue to see new, exciting changes in the Fintech sphere.

**LEADING FINTECH INVESTMENTS IN SOUTH AFRICA**

- ▶ Luno: Crypto exchange
- ▶ Yoco: Card payments services
- ▶ Valr: Crypto exchange
- ▶ Ozow: Online EFT transfers
- ▶ Jumo: Banking as a Service platform
- ▶ Pineapple: Insurance
- ▶ Retail capital: Funding Solutions
- ▶ FinChatBot: Conversational AI solutions for the Financial Services industry'
- ▶ MamaMoney: International money transfers

The above companies range from insurers to cryptocurrency platforms, to payment processing and to funding and lending. The space is vast with many new entrants and startups still entering the market.

**AFRICAN TECH MOVES: BDO FINANCIAL SERVICES**

- ▶ BDO South Africa houses multiple technology divisions including the Financial Services Technology team.
- ▶ BDO South Africa holds leading experts such as Nevellan Moodley, Imtiaaz Hashim, Bernard Van Der Walt and Shehnaaz Suleman.
- ▶ A Crypto Desk, run by Nevellan Moodley, has recently been launched which is focused on assisting BDO member Firms in Africa, Asia, Australasia and the Middle East with navigating assurance and technical accounting approaches related to Crypto engagements.

**HOW DOES BDO ASSIST THE FINTECHS AND WHAT CLIENTS DO THEY HAVE**

- BDO has many offices across Southern Africa, offering services within the Fintech industry such as auditing, project assurance, advisory as well as outsourcing services.
- There are many different services which BDO offers as a firm and is constantly expanding its service offering across Southern Africa with the intake of specialists as well as providing more advisory services.

# WESTERN AFRICA

*'Unicorn' investment countries with fintech trends of easy transactions and customer-centric, cost-effective banking*

## DEMOGRAPHICS & MARKET LANDSCAPE

West Africa consists of 16 countries which includes Benin, Burkina Faso, Cabo Verde, Ivory Coast, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. The overall population of West Africa is estimated to be 411 million people with Nigeria being the most populous in West Africa and Africa and Cabo Verde being the least populous in West Africa. The Nigerian city of Lagos is the largest city in Africa. Despite the COVID-19 pandemic there has been a steady growth within the Fintech industry in West Africa with big investments ranging from \$42 million - \$1.34 billion from the year 2019-2021, with the biggest growth seen in Nigeria of which 3 out of the top 5 African Fintech companies are within Nigeria.

## FINTECH

### WEST AFRICA FINTECH LANDSCAPE – TRENDS

The Fintech industry within West Africa is still young with new technology and software only being developed and available to the average consumer over the past decade. The overall trend within West Africa is to make transactions and banking easy and cost effective to the average consumer. Due to the steady growth of the use of smartphones throughout West Africa the Fintech industry as well as Mobile Network Operators (MNOs) have identified the need for financial transactions and banking to move away from the traditional banking system and move more towards a more accessible method that can be performed via smart phones. This has led to major breakthroughs in the development of APIs, software and other technologies within West Africa and has attracted multi-million-dollar investments from foreign investors. MTN has gained a mobile money license which has put a lot of pressure on the banking industry to step up to provide services to their customers to not lose market share. West Africa's average consumer does not have the luxury to afford the traditional banking and transaction fees as well as lack access and understanding of products provided by traditional institutions. This has led to a focus on transactions being performed via smartphones which is more accessible and well understood by the average consumer.

### KEY DATA

- ▶ **OPay** (Founded in Nigeria) raised US \$400 million in 2021 with most of the investment coming from Asian investors. It was founded by Opera Software, however, is not registered under Opera Software. It is currently compatible with 50 countries
- ▶ **Flutterwave** (Founded in Nigeria) raised US \$64.7m from 2016 to 2021 and is currently used in 150 countries
- ▶ **PalmPay** (Founded in Nigeria) raised US \$40 million and is used in Ghana with over 1 million users.
- ▶ **Wave** (Founded in Senegal) raised US \$200 million and is used throughout West Africa with over 6 million users

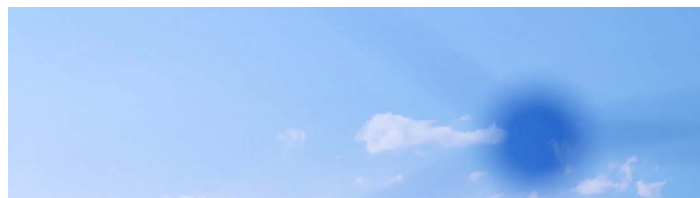
### FINTECH TRENDS & PREDICTIONS

The Fintech industry in West Africa is still young, and many foreign investors has classified these countries as "unicorn" investment countries. There has been a huge growth in the industry with experts stating that the surface has just been scratched with exponential growth expected over the next decade. Mobile Network Operators (MNOs) in West Africa have tapped into the FinTech space with MTN being granted the first mobile money license this opens the opportunity for other MNOs such as Vodacom. There has been a vast amount of research which indicate that West Africa will be focusing on growth within more mobile and online banking instead of traditional institutes of banking as this is of lower cost to the average consumer. With the steady growth of smart-phone users, West Africa has indicated a growth in more accessible financial solutions.

### FINTECH WEST AFRICA: INVESTMENT/M&A/IPO

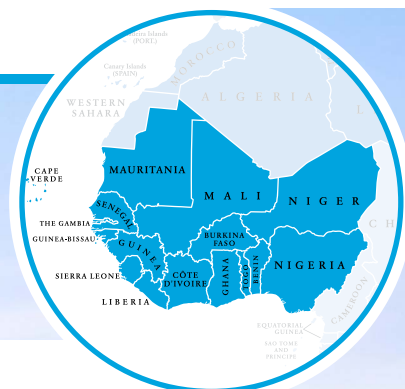
#### Market activity and investment volumes

Despite the COVID-19 pandemic, West Africa has seen a steady growth within the Fintech space as there has been a focus on moving away from traditional banking to a more accessible banking solution for the current population. There has been a focus on investment from foreign countries within Nigeria, as there has been a steady growth within the economy and the Fintech industry. With the development of Apps, APIs and new software such as Flutterwave, OPay and PalmPay, Nigeria has gained multi-million-dollar investments from foreign countries as these Fintech services grow in users as well as net worth.



## TOP FINTECH INVESTMENTS IN WEST AFRICA

- ▶ **Flutterwave:** Founded in 2016 in Lagos, Nigeria and its current total funding stands at \$64.7M.
  - Flutterwave operates an API that allows individuals and firms to process credit cards and alternative payment options available in the African continent.
  - It focuses on connecting local and foreign businesses and service providers to their customers.
  - It allows these businesses and service providers to receive payments from their customers efficiently, and it's currently active in 150 countries. Sellers can receive payments in USD, Naira, Euro, Yuan and GBP. The business headquarters is located in San Francisco, CA.
  - Apart from being a payment gateway, in 2020, Flutterwave rolled out a new feature that allows businesses to set their store directly on the Flutterwave platform.
  - The firm has partnered with notable enterprises such as Visa, Alipay, Worldpay in its quest to provide financial services to Africans.
  
- ▶ **OPay:** Founded in 2018 in Lagos, Nigeria. Its current total funding stands at \$170M.
  - OPay provides a payment gateway for sellers and offers loans, remittances, and even ride-hailing services.
  - OPay was founded by Opera Software, one of the leading web browsers and search engines. However, OPay is not registered under Opera but as a separate entity, with Opera owning one-fifth of its shares.
  - OPay facilitates an e-wallet that enables mobile top-up, P2P transactions, food & grocery delivery, transportation, loans, logistics, among several others. OPay also rolled out Olla Android smartphones in 2020. The firm also rolled out a new feature CreditMe, an overdraft service directed to students and small business owners in their mid-20s and 30s.
  - OPay has also attained an international money transfer license and recently announced a collaboration with WorldRemit. The collaboration allows persons with an OPay wallet to receive funds from over 50 countries easily. The covid pandemic may have limited some of its services, such as its transportation and logistics, but OPay has focused on its financial services since then.
  - OPay has over 5 million users and, in August 2021, was able to raise \$400million in a funding round led by Softbank Vision Fund. The company is currently \$2billion.
  
- ▶ **PalmPay:** Founded in 2019 in Lagos, Nigeria. PalmPay was founded after a seed round of \$40 million was led by Trassion, a Chinese Mobile phone maker.
  - It created a unique partnership with Infinix, Techno and Intel with its app pre-installed on these devices. During its initial launch, it was able to register 100,000 users and processed one million transactions.
  - PalmPay is also operational in Ghana and boasts over 1 million users.
  - PalmPay has also initiated a strategic partnership with Visa. Its services include Mobile Payments, P2P transactions.
  - PalmPay currently offers users cashback rewards for using its payment platform. Users can also earn PalmPoints from referrals, deposits, and transfers. Currently, PalmPay is working towards onboarding merchants on its platforms so that customers can pay for services via its platform.



## AFRICAN TECH MOVES: BDO Financial Services

- ▶ One of the newest branches of BDO is within West Africa.
- ▶ There is now a BDO in Ivory Coast as well as Togo with leading experts such as:
  - Yaw Djidotor (Certified Public Accountant – Head of Audit and Insurance Manager BDO Togo)
  - Hady Drame (Certified Public Accountant (CISA) – Managing Partner BDO Ivory Coast)
  - Leon Kpinso (IT Manager – BDO Ivory Coast)
  - Theodore Orria (Manager Business and Services Outsourcing – BDO Ivory coast)
  - Mance Sede (Auditeur Comptable et Financier – BDO Ivory Coast).



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