Digital Ethiopia 2025 – Summary

Strategy Summary

Throughout history, technological change has been the primary driver of social development, productivity improvements and inclusive growth. While historically, manufacturing has been a major development driver, the labor–substitution effect of automation may be closing the window for developing economies to leverage manufacturing for job creation and broader development.

This new fourth industrial revolution (4IR) is progressing across the globe at an unprecedented rate, and Ethiopia must proactively embrace it to ensure our communities benefit and that our youth are poised for success in a very different future world. The objectives of the strategy are to:

be a visionary umbrella strategy from which sectors and institutions can then design and/or align action plans

create Inclusive prosperity leveraging technology that will catalyze the realization of Ethiopia's broader development vision which are job creation, forex generation and becoming a middle-income country.

In implementing the strategy, Government is taking a dual approach: (i) in short term, to maximize the advantage of the existing technology trends considering job creation, forex earnings, inclusiveness and (ii) to work on foundational issues to fully take part in the 4IR and get the maximum advantage.

Digital tools will create opportunities for governments, entrepreneurs, and businesses, and bring benefits to society. However, the skill requirements of workers will change, and some jobs will be lost while new ones will be created. Unlike previous large-scale technological and economic transformations, the benefits will be immense, but they will not materialize easily or through a smooth and cost-free transition. The net outcome will depend on two factors: first, the policies and investments undertaken at the national level to build countries' digital readiness and capabilities. Second, the efforts made to align the digital transformation strategy with countries' national development vision and objectives and the national policy framework that countries are pursuing to advance their economic development and achieve inclusive prosperity.

Ethiopia is already on a journey of transformative growth and development. Gross domestic product (GDP) has risen from USD 8 billion in 2000 to USD 84 billion in 2018. During the same period, life expectancy increased from just under 52 years to nearly 66. However, Ethiopia is yet to realize its full potential in the digital space, which can be leveraged for a more prosperous society. The government of Ethiopia is keen to continue this high level of growth and development and as such has outlined, in this strategy, the urgent, bold and coordinated action that is needed to make this digital transformation successfully.
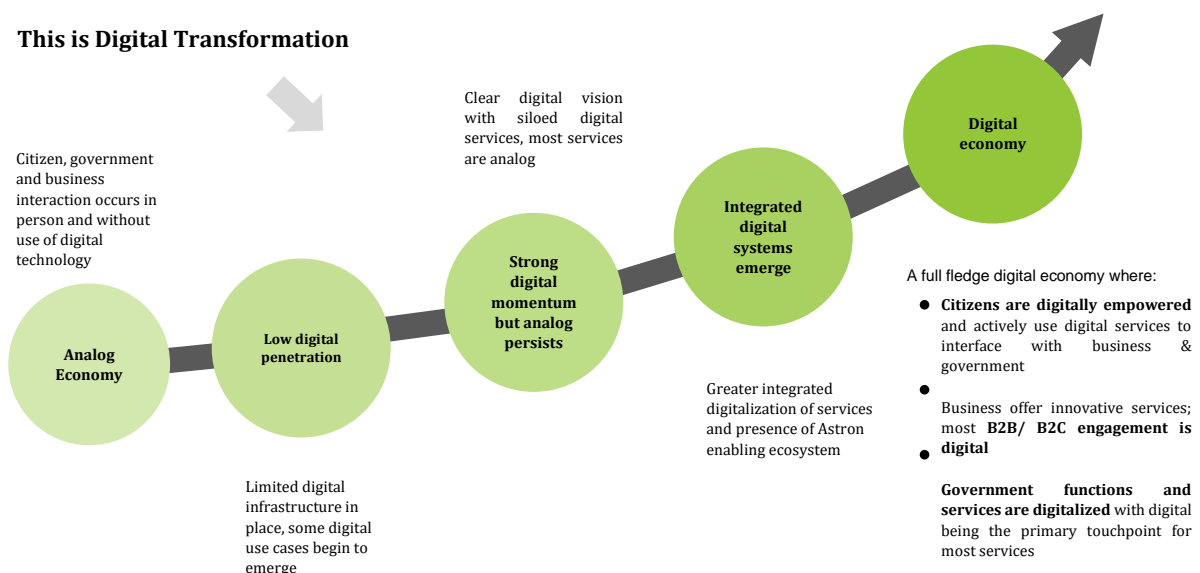
If not managed proactively, technological advances can significantly impede or even lock nations out of development opportunities. Leveraging these digital opportunities demands a completely new mindset and leadership style from Government. This will demand a rethink of where private sector and non-governmental actors should be the drivers of change. The government must seek to work with the private and civil society sectors to (i) leapfrog where possible; (ii) iteratively adapt and customize existing technologies; and (iii) build in future proofing of long-term activities, with the private sector in particular enabled to lead this change.

Realizing these new opportunities in an inclusive way demands learning, collaboration and wider partnerships – both within and beyond Ethiopia. This strategy has been co-designed with stakeholders as a first step and is a call to action.

What is Digital Transformation?

Digital transformation is the journey from an analogue society where government, business, and social interactions take place in person, to a fully integrated inclusive digital economy where transactions are made faster, cheaper, and more secure using technology and where most of the interaction takes place online. The 'digital economy' refers to economic activity that utilizes the enhanced interconnectivity of networks and the interoperability of digital platforms.

This is Digital Transformation

Citizen, government and business interaction occurs in person and without use of digital technology

Clear digital vision with siloed digital services, most services are analog

Analog Economy

Low digital penetration

Strong digital momentum but analog persists

Integrated digital systems emerge

Digital economy

Limited digital infrastructure in place, some digital use cases begin to emerge

Greater integrated digitalization of services and presence of Astron enabling ecosystem

A full fledge digital economy where:

- **Citizens are digitally empowered** and actively use digital services to interface with business & government

- Business offer innovative services; most **B2B/ B2C engagement is digital**

- **Government functions and services are digitalized** with digital being the primary touchpoint for most services
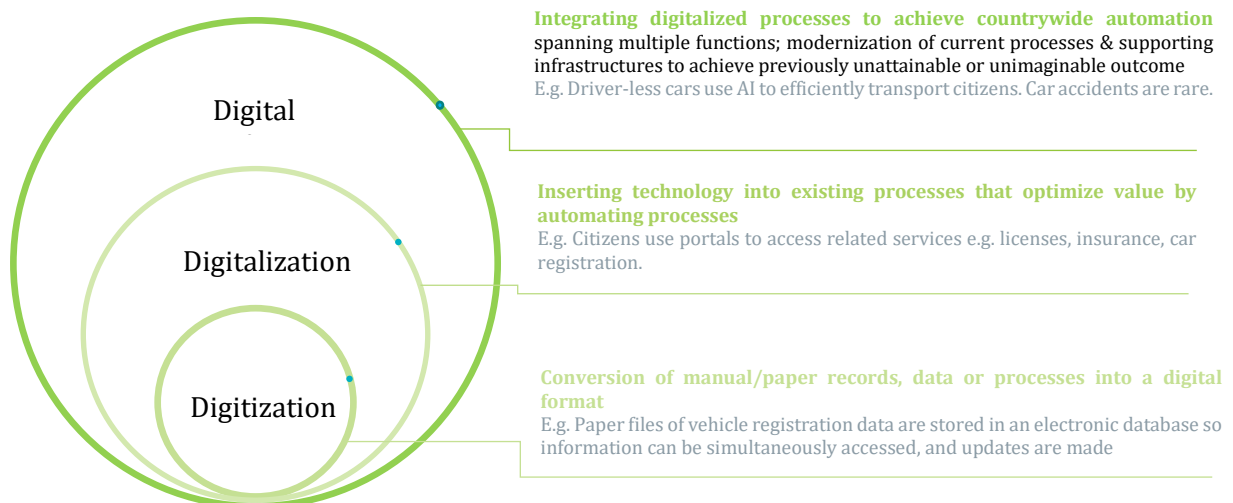
The digital economy extends beyond just the availability of digital products and services. Several interlinked elements such as infrastructure, enabling systems, and a comprehensive regulatory environment are essential to create a thriving digital economy. These elements enable citizens, businesses and institutions to participate and contribute to the digital economy. They also help to create a conducive growth environment that drives innovation and improves service access.

Critical to developing a digital economy is innovation, which creates new and improved goods, services, and business practices, through the creation or adoption of new technology; repurposing existing technology for a new use; or introducing existing technology to a new geography and user.

Increasing digitalization can sometimes also be a risk as it may exacerbate current opportunity gaps and disenfranchisement of vulnerable communities, which would need to be proactively managed. However, even if everyone cannot begin to be directly active digitally, well-designed digital programs, designing and integrating a holistic program within formal and informal systems to make digital literacy program effective throughout the multi-sectors can benefit all communities through more efficiently delivered public services and more data driven decision making to enhance their experiences.

The vision of digital transformation encompasses digitization and digitalization.

Integrating digitalized processes to achieve countrywide automation spanning multiple functions; modernization of current processes & supporting infrastructures to achieve previously unattainable or unimaginable outcome
E.g. Driver-less cars use AI to efficiently transport citizens. Car accidents are rare.

Inserting technology into existing processes that optimize value by automating processes
E.g. Citizens use portals to access related services e.g. licenses, insurance, car registration.

Conversion of manual/paper records, data or processes into a digital format
E.g. Paper files of vehicle registration data are stored in an electronic database so information can be simultaneously accessed, and updates are made

Foundational Cross Sector Initiatives

Through a robust gap assessment, the strategy provides recommendations across the four foundational cross sector areas of (i) Infrastructure, (ii) Enabling systems, (iii) Digital Interactions (iv) Digital Ecosystem. These recommendations have been selected to catalyze the realization of Ethiopia's broader development vision, including job creation, forex generation, and achieving middle income status by 2025.
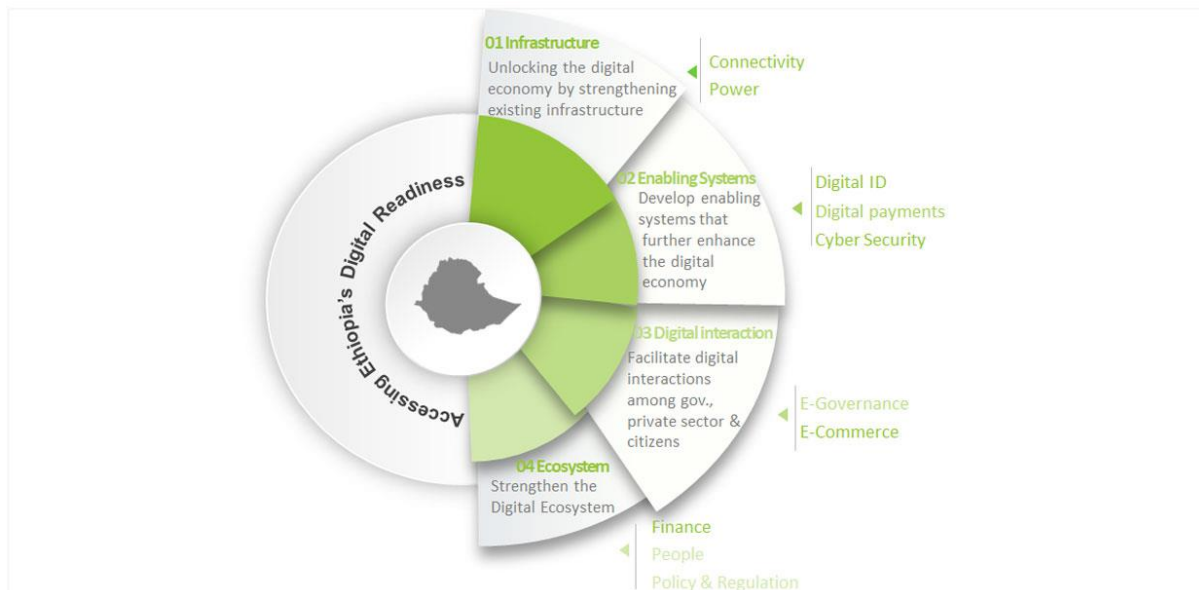
Note: The frameworks were selected based on countries which have shown significant progress in digital adoption e.g.: South Korea, India, China, Kenya

Infrastructure

- **Connectivity: Recommendations:** Implementing and continuing sector reforms, implementing the Universal service fund owned by MInT and funded by private sector, and setting clear policies in relation to local vs international device access
- **Power: Recommendations:** Investing in last mile connection upgrade, diversifying energy sources and off-grid solutions, establishing a targeted subsidies scheme, and facilitating follow up and maintenance through measurement and monitoring systems

Enabling Systems

- **Digital ID: Recommendations:** Collaboration among the different stakeholders, and adopting the 10 principles from ECA Digital Forum
- **Digital Payments: Recommendations:** Ensuring financial inclusion by promoting current financial services, evaluating the adoption of innovative solutions, increasing usage by promoting benefits, and encouraging innovation in the banking system and government coordination
- **Cybersecurity:_Recommendations:** Conducting a coordinated and centralized assessment of Ethiopia's cybersecurity, developing a framework and roadmap for national awareness campaigns, and encouraging and adopting cloud solutions

Digital Interactions

- **E-Governance: Recommendations:** Designing E-Government services with stronger coordination across government and leveraging digital technology to reduce regulatory complexity in relation to costs around EoDB and E-Tax initiatives and to improve rankings on international e-government indices such as EGDI and ITU ICT

- **E-Commerce: Recommendations:** Enacting clear policies, regulations and standards, public and private players building a robust logistics sector, implementing a model of national addressing, and unlocking high impact market opportunities

Ecosystem
- **Finance: Recommendations**: Encouraging local investors to invest in the ICT sector, considering policy changes to facilitate more international investment, Public-Private engagement to mitigate the lack of direct access to finance, and circumventing the lack of direct access to finance through incubation of projects
- **People: Recommendations:** Government supporting and cultivating EdTech sector, primary and secondary education to prioritizing basic literacy and digital skills, universities preparing graduates for the domestic labor market, and government employees receiving skill trainings
- **Policy & Regulation: Recommendations:** Adopting innovative and consultative approach to policy making, designing stronger government coordination and multi-stakeholder engagement, introducing new regulatory solutions for investment and doing business, and revising public procurement regulation to meet ICT sector requirement.

Strategic Sector Focus

Following the foundational cross sector analysis, the strategy also assesses how digital technologies can be used to develop an inclusive, knowledge-based and prosperous society by identifying four strategic pathway sectors to frame Ethiopia's digital journey. Each strategic sector proposed specific opportunities where Ethiopia can succeed.
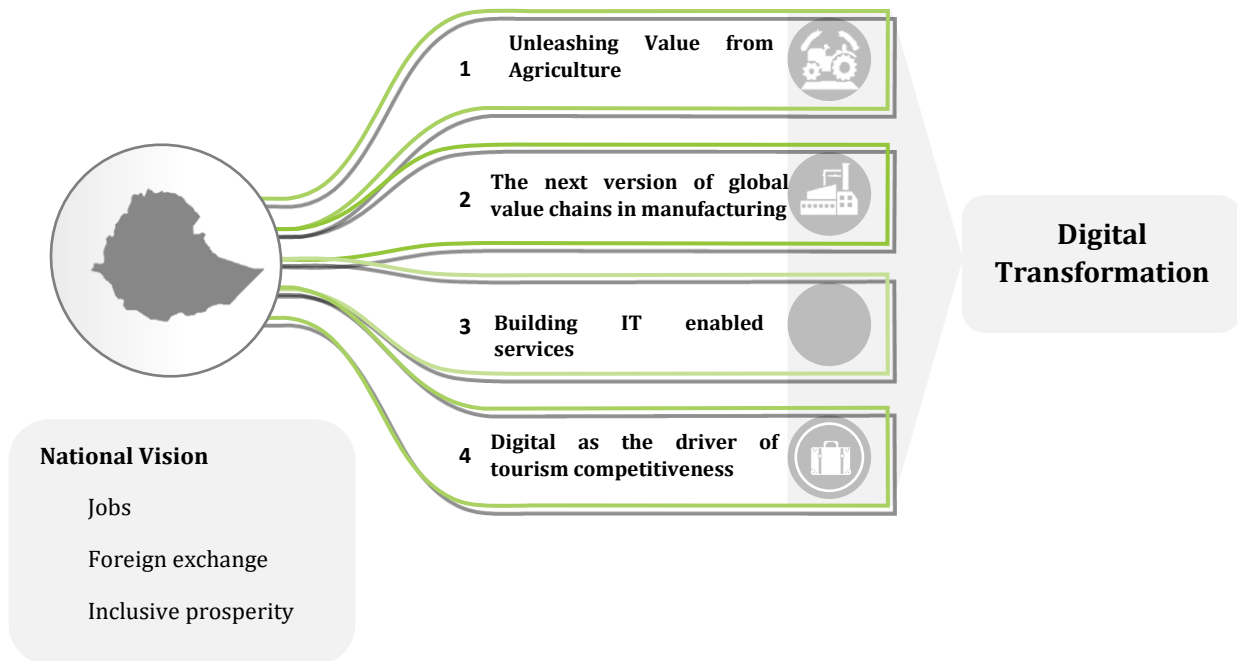
Sector 1: Unleashing value from agriculture

- Opportunity 1: Building a Digital Agriculture platform
- Opportunity 2: Support Ag-Tech Entrepreneurship

Sector 2: The next version of global value chains in manufacturing

- Opportunity 1: Fast and Reliable Internet Connectivity to Enable the adoption of new communication technologies
- Opportunity 2: Enhance digitally enabled logistics

Sector 3: Building the IT enabled services, and

- Opportunity 1: Provide infrastructure to high potential talent centres
- Opportunity 2: Identify and attract leading BPO, specifically ISSPs

Sector 4: Digital as the driver of tourism competitiveness.

- Opportunity 1: Set up a tourism digitalization task force
- Opportunity 2: targeted digital marketing strategies
- Opportunity 3: Building capacity of tourism SMEs to 'go digital' and adopt digital technologies