

**OUTSOURCING AGREEMENT ON DIGITAL SAVING
AND CREDIT SERVICES PROVISIONING
BETWEEN
BERHAN BANK S.C AND KACHA DIGITAL
FINANCIAL SERVICE S.C**



**October ,2024
Addis Ababa, Ethiopia**

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ACRONYM	DEFINITION
AML	Anti-money laundry
API	Application programming interface
CFT	Combating financing of terrorism
FAQ	Frequently asked questions
KYC	Know your customer
NBE	National bank of Ethiopia
NPL	Non-performing loan
P.A.	Per annum
UAT	User acceptance testing
USSD	Unstructured supplementary service data





1. Preamble

This agreement is made and entered into as of this 11 day of October 2023 by and between Kacha Digital Financial Service S.C, hereinafter referred to as "The issuer" with its principal place of business at Africa Avenue, Noah Plaza building, with business license NPS/PII/002/2022, Bole sub-city, Woreda 02, P.O. Box, 19990 Tel: +25111 6686304 /05, Located in Addis Ababa, Ethiopia,

And

Berhan Bank S.C ,established under the National Bank of Ethiopia License for banking Business, Head Office Located at Addis Ababa, Bole sub city, Woreda 03, TIN Number 0005293269, P.O.BOX 338 Code 1110Tel: +251 116 61 65 82 (hereinafter referred to as "Bank"). The Bank and the Issuer are referred collectively as "the Parties" and "the Party" individually.

Whereas, providing digital saving and credit service requires an outsourcing agreement between a regulated financial institution and a licensed payment instrument issuer.

Whereas, Kacha Digital Financial Service S.C is licensed by the National Bank of Ethiopia (hereafter NBE) as a Payment Instrument Issuer in Ethiopia as per the national payment system proclamation No. 1282/2023 and as per NBE directive No. ONPS/ 09/2023.

Whereas, Berhan Bank Ethiopia is licensed to provide banking and financial services as per proclamation No.592/2008 and its amendment No. 1159/2015.

Now, therefore, an agreement has been reached between the parties to work in partnership for the good of both parties and the public at large as specified in this outsourcing agreement.



2. Definitions

- 2.1. **"Agents and merchants"** refer to registered and licensed agents and merchants of Kacha.
- 2.2. **"Bad debt"** means any credit amount not collected as per the repayment schedule and overdue for 90 or more days after the maturity date.
- 2.3. **"Berhan Bank S.C"** is a regulated financial institution that has agreed to partner with Kacha DFS S.C to provide mobile financial services to the customers of Kacha and the bank via Kacha mobile money platform.
- 2.4. **"The bank"** is refers to Berhan Bank S.C"
- 2.5. **"Credit scoring Solution"** means statistical analysis to determine the creditworthiness of a customer, by considering the past records and current conditions.
- 2.6. **"Customers"** refer to any individual or a business entity who subscribes to mobile financial services.
- 2.7. **"Kacha DFS S.C"** means a licensed payment instrument issuer agreed to partner with the Bank to provide mobile financial services to the customers of Kacha and the bank via Kacha mobile money platform.
- 2.8. **"Facilitation Fees"** means the fees that is paid by customers for the processing of digital credit services to be collected via Kacha mobile money platform by Issuer.
- 2.9. **"Fixed Savings"** means a fixed savings account that allows customers to lock a specific amount of money for a specified period of time.
- 2.10. **"Digital Credit Service"** means financial service which enables the Bank and the issuer customers to access credit service through Kacha channels.
- 2.11. **"Digital saving service"** means a financial service that enables the Bank and the issuer customers to securely store money and enables customers to earn interest on the stored value.
- 2.12. **"Mobile Financial Services"** means digital financial services which enables the Bank and the issuer customers to use digital credit service and digital savings service using the Kacha platform.



- 2.13. **Net Revenue** means the revenue after deducting bad debt from the total collected revenue.
- 2.14. **"Non-performing loans"** means outstanding credit facilities that are past due for more than 90 days past the agreed-upon repayment period.
- 2.15. **"Outsourcing Agreement"** means contract entered between Berhan Bank a regulated financial institution, and Kacha DFS S.C, a licensed payment instrument issuer, to provide mobile financial services, i.e., digital savings and digital credit services using credit scoring solution through Kacha platform.
- 2.16. **"Penalty fee"** means the fee which the customers will be charged if they fail to honor their commitments on agreed time.
- 2.17. **"Saving Interest"** means the amount calculated, accrued, and paid to customers based on the refer product definition on customer's saving deposit.
- 2.18. **"Kacha Mobile money platform"** means an electronic system which enables Kacha customers to store, send, pay, and receive money, digital credit, digital insurance, and digital saving services between entities using mobile phones.
- 2.19. **"Total Revenue"** total facilitation, extension and penalty fees to be collected by the issuer via Kacha mobile money platform.

3. Objective

The primary goal of this agreement is to establish a strategic partnership between Kacha DFS S.C and the Bank. This partnership aims to offer digital credit and digital saving services to customers through the Kacha mobile money platform, utilizing the funds provided by the Bank, all while complying with NBE Directive number- ONPS/09/2023 Article 6 Sub-Article 2. The strategic objectives outlined in this agreement include:

- **Addressing Financial Exclusion:** Targeting the financial needs of societies that have been excluded from traditional banking services.
- **Providing Digital Financial Services:** Offering digital credit and digital saving services to both Kacha and Berhan Bank Ethiopia customers via the Kacha mobile money platform.
- **Supporting Agent and Merchant Cash Requirements:** Facilitating and supporting

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the cash needs of agents and merchants involved in the financial ecosystem.

- **Mobilizing Savings Deposits:** Encouraging and gathering savings deposits from customers using the digital saving services.
- **Generating Service Revenue:** Earning revenue through facilitation fees associated with providing digital credit services.

These strategic objectives aim to not only expand financial services to underserved populations but also create a revenue stream while addressing various financial needs within the community.

4. Scope

This agreement specifically pertains to the provision of digital saving services and digital credit services. It establishes an outsourcing agreement and business model where the Bank acts as the financier, while the Issuer is a mobile financial technology and customer service provider.

Customers can activate and access these services through the following channels:

1. **USSD:** Customers can engage with and activate the services through the USSD (Unstructured Supplementary Service Data) channel, offering a straightforward and accessible interface.
2. **Kacha Application:** The services are also available through the Kacha mobile application, which operates on mobile operating systems, a web-based platform. This provides customers with the flexibility to access and manage their digital saving and credit services through a user-friendly application.

This delineation of scope ensures clarity regarding the specific products covered, the roles of the Bank and the Issuer, and the designated channels through which customers can interact with and benefit from these digital financial services.

5. Digital saving

- 5.1. Customers can make digital savings in two account types: regular and fixed saving accounts. The ordinary saving can also be either interest bearing or non-interest-bearing savings, but a customer may use both accounts at the same time.
- 5.2. Interest bearing ordinary saving: customers can save and withdraw any time and get an



- 5.3. Non-interest-bearing ordinary saving: customers can save and withdraw any time.
- 5.4. Fixed saving: It is a locked saving account that enables customers to save a specific amount for a defined period i.e., customers can not withdraw before the defined period.
- 5.5. Early or premature withdrawal of locked savings either partially or fully will lead to loss of accrued interest premium portion of the fixed deposit. However, the customer shall get the minimum saving interest rate to be calculated for the actual deposit period before withdrawal request at the time of early or premature withdrawal.

- 6.1. The digital credit service enables customers to access the credit service with different customer segmentation, product types, repayment tenure, product nature and fees.
- 6.2. Customers can activate digital credit service once they have accepted the terms and conditions. After activation, they can obtain their limits from credit Scoring System in real-time and can request digital credit.
- 6.3. Based on eligibility criteria the customer qualifies for digital credit service and shall be awarded a limit.
- 6.4. The system will automatically approve/decline customer loan requests based on his/her score and the approved loan will be disbursed to the customer's Kacha account instantly.
- 6.5. The customer must use the borrowed money only for Lawful/legal transactions.
- 6.6. The credit shall be repaid within the due date. However, customers can repay the credit before the repayment due date and borrow again.
- 6.7. Customers can pay their credit using their Kacha account and designated bank accounts.
- 6.8. The credit amount to be collected back from the customer shall include the credit facilitation fee and other associated fees where applicable when payment is done within the due date.
- 6.9. Customers can pay their credit partially or fully using Kacha application or USSD.
- 6.10. Customers can query their total credit amount, available credit amount, used credit amount, and facilitation fee.
- 6.11. Where applicable, customers could be allowed to extend their outstanding credit amount

for additional one term by paying extension fee, whereby identical fee structure with the initial credit will be applied.

- 6.12. The customer will not get credit even though they are within the available limit before repaying the previously taken credit for the same product.
- 6.13. On and after due date, the credit amount will be deducted automatically from the customer's e-money account or designated Berhan bank account.
- 6.14. The payment modality for each credit product shall be managed in a separate pricing tariff agreement to be made between Kacha & Berhan Bank.
- 6.15. Penalty on past due credits will be introduced and can be updated based on business needs by the parties.
- 6.16. If the credit, facilitation fee, and penalty are not paid within 90 days, the legal proceeding against the customer will be initiated as deemed necessary when legal proceedings are found feasible.
- 6.17. Facilitation fee, extension fee and penalty shall be shared between the parties as per the existing revenue-sharing modality.
- 6.18. The bad debt days for all credit products will be any credit amount not collected as per the repayment schedule and overdue for 90 or more days, unless extension is requested and approved by the system.
- 6.19. Kacha shall share bad debts with Berhan Bank S.C as per the revenue sharing arrangement under article 10 of this agreement.
- 6.20. Net revenue amount shall be calculated after deduction of bad debts and the net value will be shared afterwards between Kacha & Berhan Bank as per the outsourcing agreement.

7. Principles of Relationships

- 7.1. This Business Contract calls both parties to act in a strategic partnership framework.
- 7.2. The principle of relationship between the parties is based on good faith and cooperation; and
- 7.3. Each party recognizes that it has a responsibility to act professionally and as per the applicable law.

8. Role and Responsibilities of the Parties



8.1. Both The Issuer and The Bank

- a) Should manage and adhere to NBE compliance requirements related to digital saving and credit services.
- b) Shall have a responsibility to train their staff about financial services (digital credit, and digital saving), AML, CFT related risks.
- c) Shall work in collaboration to fight money laundering, financing of terrorist activities, and suspicious transactions which might occur due to system integration or fake subscription or any other related reason.
- d) Shall promptly exchange relevant information, non-compliance of requirements, and how to enhance the efficiency of the service.
- e) Shall set transaction accounts for both digital savings and digital credit services. The required accounts to manage fund disbursement, withdrawal of saving deposits, revenue and penalty collection, bad debt provision shall be set to properly manage transactions between the parties.
- f) Shall develop account reconciliation procedure to easily reconcile transactions for both digital savings and digital credit services.
- g) Shall clearly set the necessary entries for both digital savings and digital credit along with the role of the parties.
- h) Shall develop a clear activities process map which shows the role of the parties in every step of the process.
- i) Shall set a new brand name with the brand colors and logos of both parties.
- j) Shall Co-create digital saving & credit products & services
- k) May add new products and services or modify the existing ones at any time by mutual consent of the parties.
- l) Will jointly own the digital credit, and digital savings services brand name, product and Services.
- m) Will jointly propose business rules related to digital credit, and digital saving services.
- n) Shall handle legal proceedings related to non-performing loan (NPL) as joint



claimants through legal departments of the parties as deemed necessary when legal proceedings found feasible as per existing credit procedure of the bank.

8.2. Roles and Responsibilities of The Issuer:

- a) Shall open a trust account at the Bank for the purpose of mobile financial service fund deposit and e-money creation.
- b) Create electronic money in the Kacha system which is equivalent to the bank's fund that will be used for the purpose of digital savings and digital credit services.
- c) Avail the necessary platform for the deployment of digital credit and saving service
- d) Perform marketing promotion activities that clearly show the brand name, brand colors, and logos of the parties in collaboration with the bank.
- e) Will fully own digital credit, and digital saving services technology/system.
- f) Shall propose eligibility criteria for digital credit and digital saving services and submit it to the Bank for further review and validation.
- g) Will propose the interest rate and facilitation fee for digital saving and digital credit products respectively and submit it to the Bank for further review and validation.
- h) Shall design credit scoring parameters for digital credit services and ensure its robustness for effective service delivery
- i) Shall propose customer's digital-credit and digital-saving terms and conditions and submit it to the Bank for further review and validation.
- j) Provide all digital credit, and digital saving related transactions data history and report viewing access to the Bank on the Kacha system directly.
- k) Avail and manage credit scoring systems that can be used to set eligibility criteria and loan amount in line with the risk level of the customer.
- l) Provide full customer service and support customers via a contact center.
- m) Provide disbursement and collection channels.
- n) Allow the bank customers and the issuer customers to be able to use the issuer mobile application and USSD to access digital saving and lending services.
- o) Always comply and obey the terms and conditions and responsibilities stipulated in



this agreement.

8.3. Roles and Responsibilities of the Bank:

- a) Depositing funds and authorizing allocation for digital lending and covering interest expenses on digital savings.
- b) The Bank ensures loanable funds minimum threshold to be in place and, are replenished to maintain service consistency at any given point in time based on the service level agreement.
- c) The bank acknowledges that the digital lending service are not interrupted and ensures that sufficient (adequate) loanable fund are allocated.
- d) Expose the necessary endpoint for API integration for seamless operation for both digital lending and saving products.
- e) Will review and validate the technology specific to digital credit and digital saving.
- f) Shall review and validate business rules, business proposals, the interest rate for digital saving products, and facilitation service fee for digital credit products and notify the partner.
- g) The Bank reserves the right to request the incorporation of additional rules or amendments to the business rules in response to changes in National Bank of Ethiopia (NBE) rates, internal requirements, or new business proposals. This may include adjustments to interest rates for digital savings products or facilitation fees for digital credit products. All changes will be made in consultation with the Issuer and implemented as deemed necessary for the system.
- h) Will have full and direct viewing access on digital credit and digital- saving services technology and systems online.
- i) Outsource the management of credit scoring and digital loan and digital saving service to The Issuer.
- j) Shall review and participate in UAT for new digital credit and saving services.
- k) Grants the issuer to disburse loan for eligible customers through the issuer channels and the repayment to be made from both the bank and the issuer platforms.
- l) Shall review and validate products' terms and conditions for digital credit and saving



services.

- m) Shall review and validate eligibility criteria for digital credit and digital saving services.
- n) Without prejudice to clause 8.3 (g, h, and I) the Bank may demand incorporation of additional credit scoring parameters for digital credit services, customer's terms and conditions, and eligibility criteria for digital credit and digital saving services to the system as deemed necessary in consultation with The Issuer.
- o) Pays saving interest accrued on digital-saving deposit to customers.
- p) Define digital saving products and configure using the digital saving management portal that is provided by the issuer.
- q) Allocate the saving deposit mobilized for digital credit service when deemed necessary.
- r) Perform marketing promotion activities that clearly show the brand name, brand colors, and logos of both parties.
- s) Shall allocate sufficient provisions for digital loans in accordance with the prevailing regulations set forth by the National Bank of Ethiopia and the internal credit policy of the bank.
- t) Shall diligently follow up on the collection of repayments from non-performing loans.

9. Bad Debt management

- 9.1. Any credit amount overdue by 90 days from the repayment date shall be considered as bad debt.
- 9.2. Any credit with an amount overdue by 90 day shall be considered bad debt with its total outstanding balance until overdue amount is fully settled both for bad debt computation as well as penalty imposition purposes.
- 9.3. The Issuer and the bank shall handle bad debt collection by using possible collection mechanisms as per the existing credit procedure of the bank.
- 9.4 Any write-off shall be conducted in accordance with the bank's established write-off credit



policies and procedures

10. Revenue Sharing

The parties have agreed to share the net revenue to be generated from digital credit services as follows:

- a. Kacha DFS S.C will have a share of 50% of the net revenue.
- b. The Bank will have a share of 50% of the net revenue and will request credit advice for shared revenue monthly from Kacha DFS S.C.
- c. Revision to revenue sharing can be made any time as deemed necessary by mutual consent of the parties.
- d. If there is any collection of the NPL, the collected amount shall be shared equally between Kacha and the bank.

11. Non-exclusivity

Both parties understand and agree that the nature of this agreement is based on non-exclusivity.

12. Co-Branding

- 12.1. Both parties agreed to implement Co-Branding in all areas including the application menu.
- 12.2. Both parties agree to come up with brand name bundled with the brand colors and logos of both companies to the main menu of Kacha mobile money app.
- 12.3. Both the issuer and the Bank, as bound by the this agreement and legal obligations, are committed to respecting each other's business confidentiality. Consequently, the issuer will not share the Bank's products with other financial institutions, and vice versa. However, in the case of products owned by the issuer, the bank cannot infringe upon the issuer rights.

13. Confidentiality

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- 13.1. Both parties agree to keep this agreement confidential and not to disclose it to third parties except as required by this agreement in the course of dealing or if demanded so by law or order of relevant regulatory authority, or order of a court.
- 13.2. No party shall use in any advertising, promotional, or sales literature the name of the other party without the prior written consent of the other party.

14. Customer Data Protection

- 14.1. Each party acknowledges the importance of protecting the privacy of all customer data/information and shall at all times strictly comply with the individual data protection laws, regulations, and NBE directives.
- 14.2. The parties shall not imitate and/or copy and/or use the disclosed customer confidential information, with the exception as required by law or by order of the relevant regulatory authority, or order of a court.
- 14.3. The Parties shall keep the received information secret and undertake all necessary actions to protect it, including all those measures that he/she takes to protect their confidential information.
- 14.4. The parties shall not disclose or otherwise deliver customer data to third parties any customer information without the prior written approval of the customer or is required by this agreement in the course of dealing or if demanded so by law or order of relevant regulatory authority, or order of a court.

15. Applicable Laws and Dispute Resolution

- 15.1. Any dispute or claim arising out of or in connection with this agreement or its subject matter or formation, execution, performance, and interpretation shall be governed by, and construed in accordance with, the relevant laws of Ethiopia.
- 15.2. Any dispute arising out of and/or related to this agreement shall be settled by the Parties amicably through negotiation.
- 15.3. When any Party fails to reach an agreement, both Parties hereby agree to submit

their case to the competent court in Ethiopia.

16. Termination

- 16.1. Parties may terminate this Agreement at any time by giving six (6) months written notice to the other Party.
- 16.2. Termination of this agreement shall be in accordance with this agreement between the parties. Any termination requires mutual agreement and adherence to the terms outlined herein. Notice of termination shall be given as stipulated in this agreement, ensuring alignment with both parties' obligations and rights.
- 16.3. In the event of persistent breaches or when deemed logically justified, the National Bank of Ethiopia reserves the right to terminate this contract. Such termination shall be carried out in accordance with the applicable laws and regulations governing this agreement.
- 16.4. If either party ("Defaulting Party") breaches any provision of this agreement and fails to remedy such breach within 30 (thirty) days after receiving written notice requiring such remedy from the other party ("Aggrieved party"), then the aggrieved party shall have the right to terminate this agreement without further notice.
- 16.5. Upon termination of this agreement, the parties shall return all confidential information and retain such information thereafter. The parties shall also settle any matured revenue payments owed to each other. Any outstanding claims of either party on the termination date shall survive".
- 16.6. Upon receipt of a termination notice, Parties must use their best endeavors to convene a meeting to implement a disengagement process which shall ensure a structured termination of the Services already being offered to Customers.
- 16.7. As part of the disengagement process, once a termination notice has been received, parties shall:
 1. Review and restrict the customer eligibility criteria;
 2. improve on the existing recovery mechanisms through sending out more repayment campaign messages, or any other means the Parties may deem fit;



3. stop availability of the Services;
 4. conduct financial reconciliation as per the agreement on Revenue Share;
 5. ensure all Revenue recovered and held by Kacha under this Agreement is divided as per the Revenue Share agreed between the Parties.
- 16.8. Nevertheless, it is agreed that to allow for the structured stoppage of the Services and ensure recoveries of outstanding Advances and facilitate reconciliation, the disengagement process shall be for a period of one hundred and eighty (180) days ("**Recovery Period**") from the date of termination of this Agreement. Recovery of outstanding amounts from Customers shall continue throughout the Recovery period.
- 16.9. The termination or expiration of this Agreement shall not affect such provisions of this Agreement which are expressly provided to operate after any such expiration or terminations, or which implicitly or of necessity must continue to have effect after such expiration or termination, notwithstanding that the relevant provisions themselves do not provide for this.

17. Other provisions

- 17.1. Assignment: This agreement shall not be assigned by any party without the express written consent of the other Party, for which consent shall not be unreasonably withheld. This provision shall not apply in the event a party changes its name or as part of the sale of the party's business. However, all parties acknowledge that any assignment or other transfer requires the prior written approval of the other parties.
- 17.2. Waivers: Waiver by any party of any breach or failure to comply with any provision of this agreement by another party shall not be construed as, or constitute, a continuing waiver of such provision or a waiver of any other breach of or failure to comply with any other provision of this agreement.
- 17.3. Survival: The termination for any reason or expiration of this contract shall not relieve either party from any obligation that may have arisen before such termination or expiration or which in order to give full effect to its meaning needs to survive termination or expiration, including without limitation to obligations under the resolution of disputes, rights accrued prior termination and the duty to maintain confidential information.
- 17.4. Tax liability: each party shall pay tax from its share of revenue and collect tax from the customer's saving deposit interest as per the relevant Ethiopian tax law.



18. Validity, Duration, and Amendment of Agreement

- 18.1. This agreement will be effective as of the date of the last signature below and continue to apply as per the outsourcing agreement.
- 18.2. No amendment or modification of this agreement shall be valid unless made in writing and signed by all parties.
- 18.3. The agreement may be amended at any time by mutual consent of the signatories.
- Both parties have caused this Agreement to be executed by their authorized officers or representatives on the date shown below:

Berhan Bank S.C

Name: Ermas Tefera



Ermas Tefera
Chief Executive Officer

Date: _____



Kacha Digital Financial Service S.C

Name: Abreham Tilahun



Date: _____

Witnesses

Signature: _____

Name: Abel Lemu

Signature: 

Date: _____

Signature: _____

Witnesses

Name: Yacob Abera

Signature: 

Date: _____