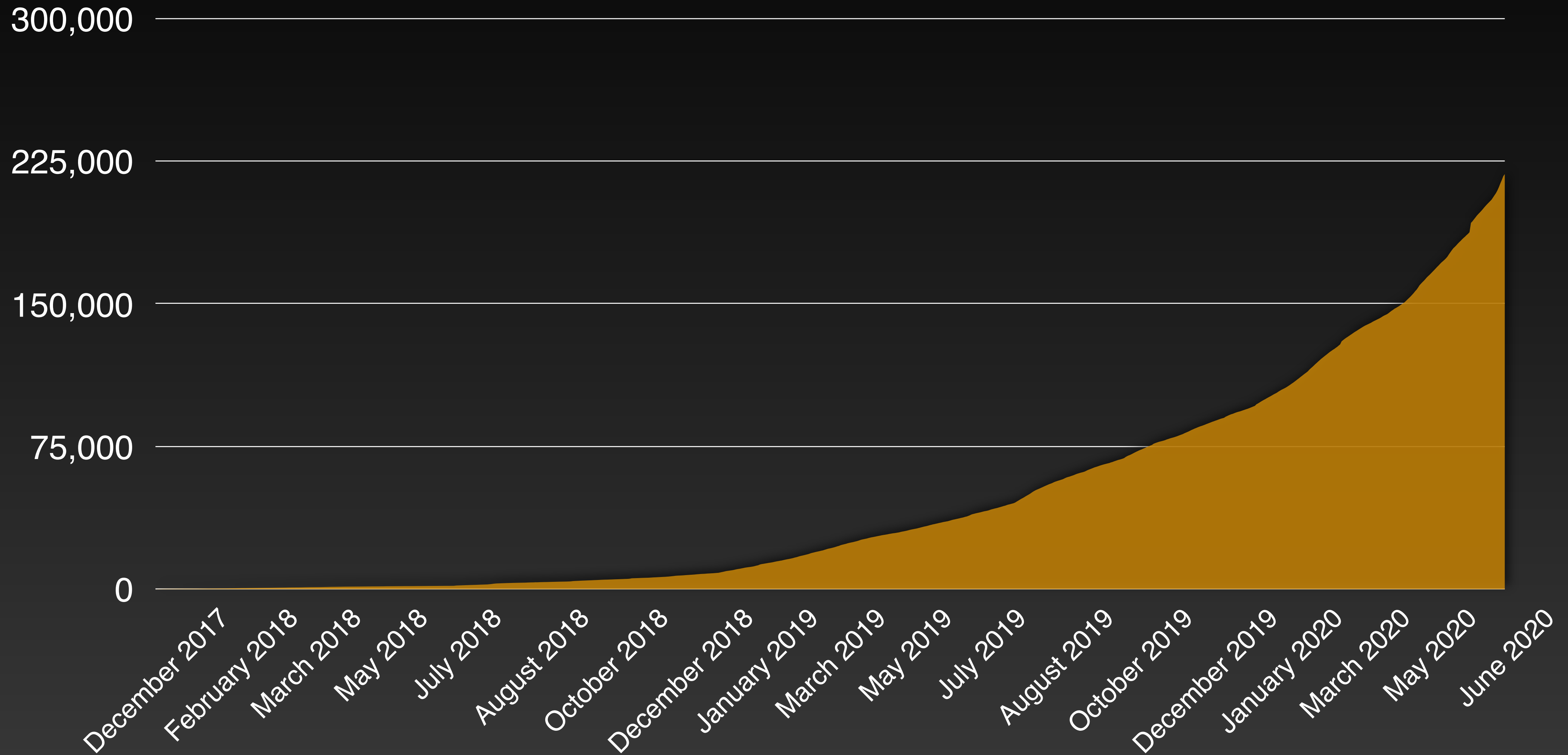


Could **DeFi** be Africa's new fintech?

Rebecca Mqamelo
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@Rebecca_Mqamelo

DeFi users over time



What does DeFi actually mean?

DeFi is money reimaged in a peer-to-peer framework i.e. the suite of **programmable**, **permissionless**, and **composable** financial tools and services built on open-source blockchains.

- Programmable
- Permissionless
- Composable

The story of **fintech** in Africa

The fintech revolution? Checking assumptions

1. Any kind of technology that relies on the same underlying principles and systems as the thing it's trying to disrupt is inherently constrained.

The fintech revolution? Checking assumptions

- 1) Any kind of technology that relies on the same underlying principles and systems as the thing it's trying to disrupt is inherently constrained
- 2) The danger of inferring false causality

#1 Modified UI to the same operating system

- 1. Fintech doesn't change how financial institutions work**

#1 Modified UI to the same operating system

1. Fintech doesn't change how financial institutions work

2. Geographical barriers are real

- PayPal bars Nigerians from using its services
- Remittances below \$200 in Sub-Saharan Africa cost an average of 9% compared to a global average of 6.8%
- Of the 150M+ businesses in Africa, 70% don't have access to cross-border payments

#2 Inferring false causality

Hypothesis:

Financial access = financial freedom i.e. poverty is caused by financial constraint

- The World Bank: “[financial inclusion efforts] are a building block for both poverty reduction and opportunities for economic growth, with access to digital financial services critical for joining the new digital economy.”
- Also the World Bank: “the link between access to finance and poverty alleviation is neither certain nor well understood.”

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- Suri and Jack (2016): “M-pesa lifting 2% of Kenyan households out of poverty” – but when controlling for gender, male-headed households supposedly worse off.

So where does this leave us?

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Sid Coelho-Prabhu (Coinbase)

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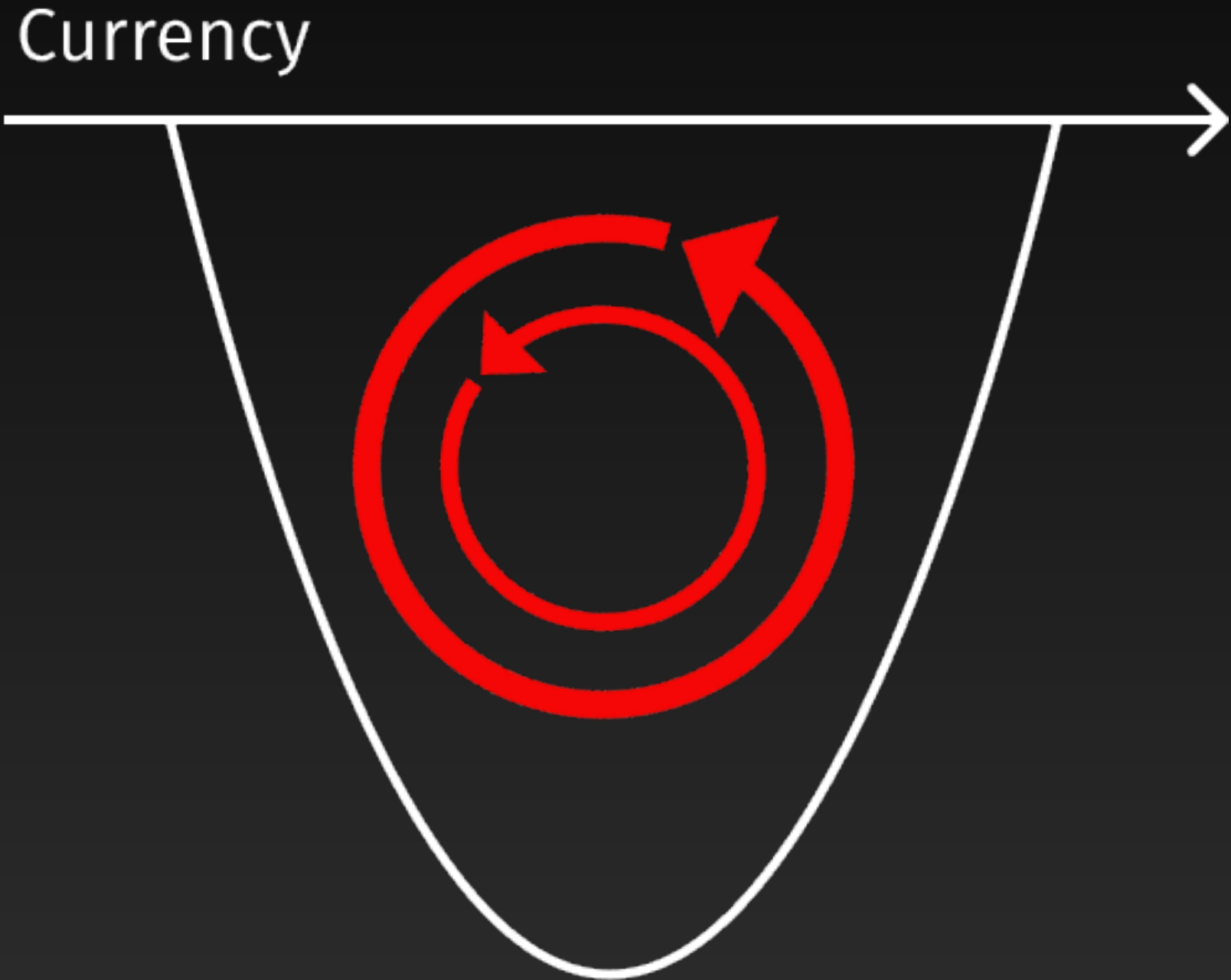
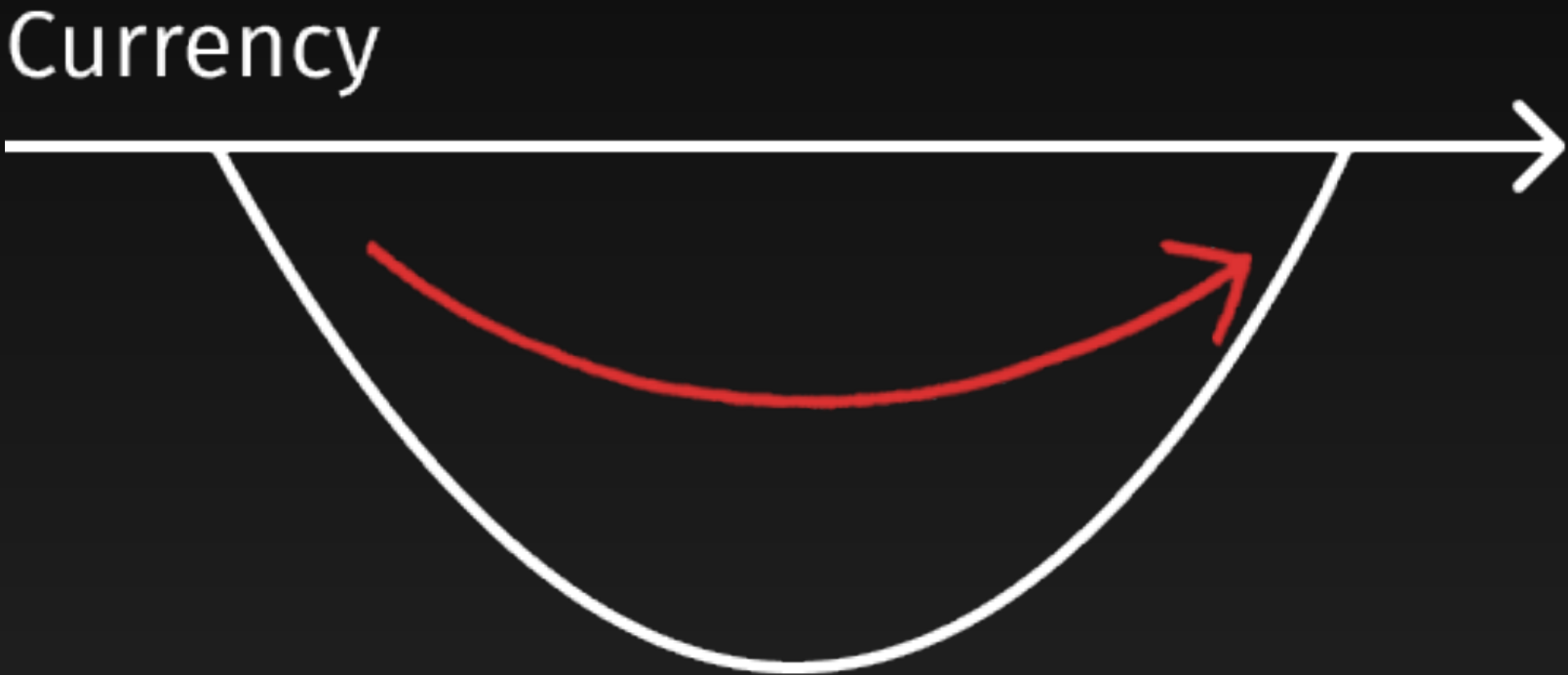
Grassroots Economics

- Championing community currency models in Kenya since 2010
- Communities are empowered to create their own form of local money
- Migrated from paper vouchers to blockchain-based tokens in 2018

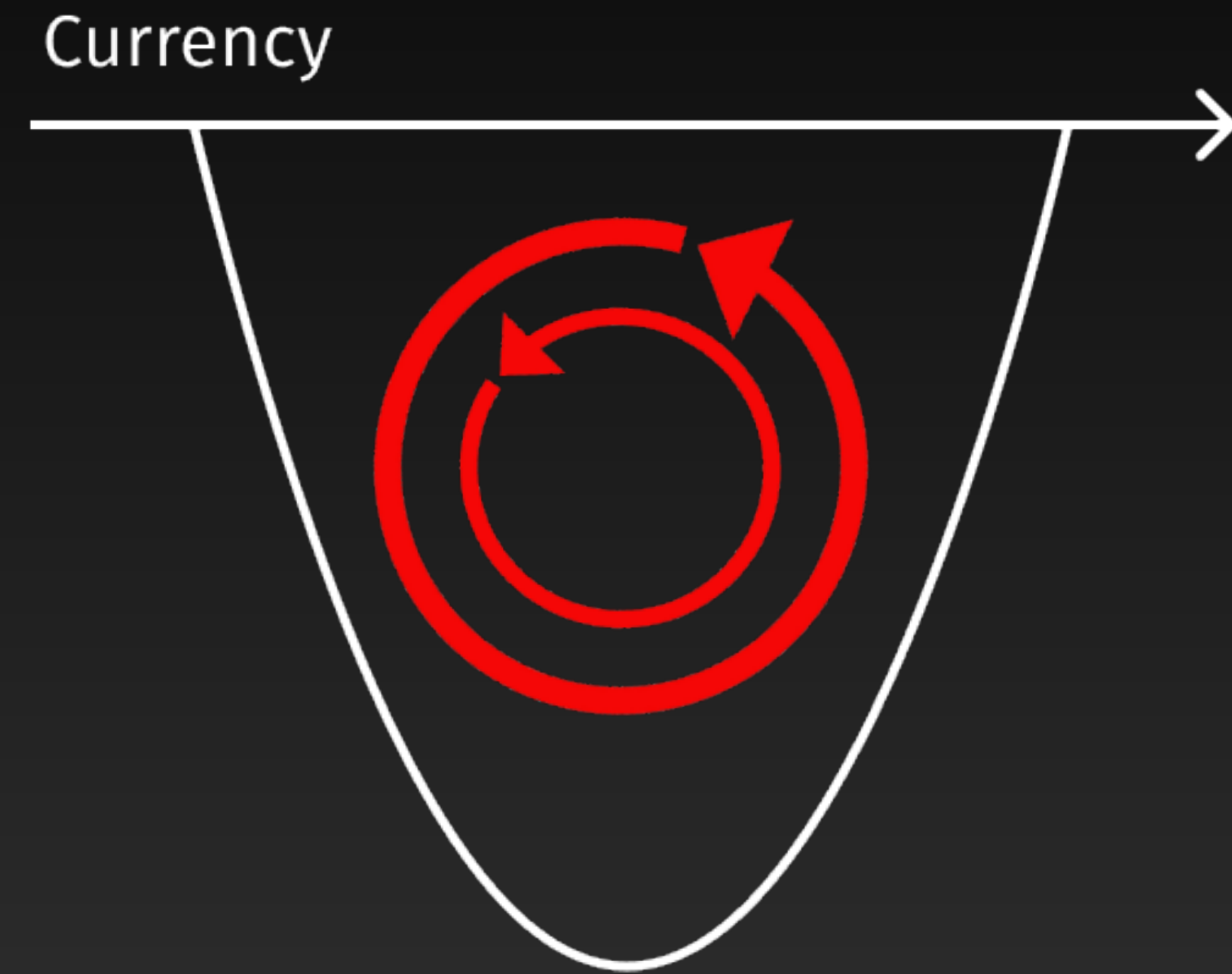
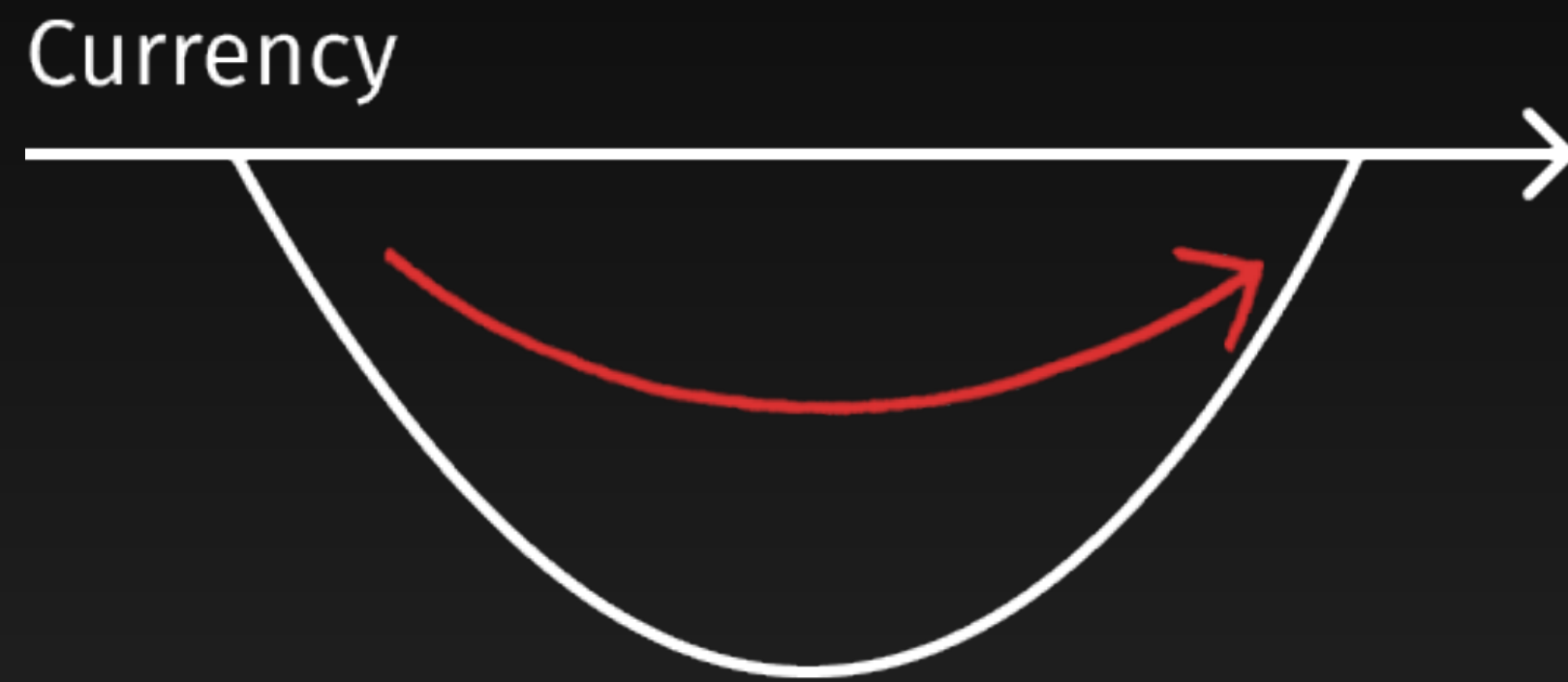
Hypothesis: poverty can be characterized as a liquidity problem

- Lack of employment \neq people aren't available to work
- Low levels of economic activity \neq demand doesn't exist

Grassroots Economics



Grassroots Economics



- Communities tokenize themselves
- 1:4 stablecoin reserve
- Exchange rates set by a bonding curve
- Guaranteed liquidity



Grassroots Economics

Empowering people to create and participate in their own financial markets in a way that is programmable, permissionless and composable

- 23K+ users
- 50+ Kenyan communities
- \$1M+ traded in the past two years
- Buffer to national volatility, economic shocks like Covid

In the future:

- Complete interoperability
- Earning interest on reserve deposits

Closing

- The DeFi we know today won't be the DeFi of the future
- Adoption might look very different, and it's already happening in places that need it most
- We need more attention to these use cases so that we build in that composability from day one

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Check out:

www.grassrootseconomics.org

www.sempo.ai

Hit me up! @Rebecca_Mqamelo