

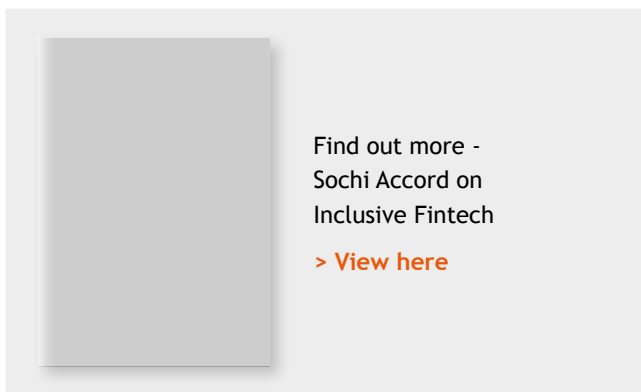
POLICY FRAMEWORK ON DEVELOPING A NATIONAL FINTECH STRATEGY

An Ecosystem Approach to Inclusive FinTech, Digital Economy,
Financial Inclusion and the Sustainable Development Goals



EXECUTIVE SUMMARY

It is widely recognized that digital finance and financial technology (FinTech) can accelerate financial inclusion and support broad-based sustainable development. As such, there is growing and considerable interest among AFI members on the ways in which they can explore and harness inclusive FinTech innovations within their jurisdictions as acknowledged in the Sochi Accord on Inclusive FinTech¹.



However, there is also a recognition that any promise of technological innovation will also entail risks that will need to be assessed and managed. Indeed, FinTech can negatively impact markets, consumers, and societies broadly through risks related to cybersecurity, data privacy, and financial market integrity, among others. Consequently, when considering how to create a suitable balance between innovation and risk of the FinTech ecosystem, policymakers and regulators will need to adopt a range of balanced approaches to the development of regulation and governance that can maximize the benefits of FinTech, while mitigating and minimizing its potential negative impacts.

This policy framework serves as a guide to policymakers and regulators in that endeavour. It outlines the key processes and elements that are necessary for the development of a thriving and innovative FinTech ecosystem that supports responsible digital finance, addresses financial inclusion gaps, and contributes to sustainable development in a cooperative fashion.

More specifically, this policy framework seeks to provide the principles and macro-level rubrics for the development of a National FinTech Strategy (NFS) which, from the perspective of the AFI network

and linkages to financial inclusion, refers to a comprehensive plan developed and implemented by a country's regulatory authority (in close collaboration or jointly with other regulatory or governmental bodies) to promote and support the growth of financial technology (FinTech) within their respective jurisdictions. It serves as a roadmap that outlines the goals, objectives, policies, and initiatives aimed at fostering innovation, enhancing financial services, and strengthening the overall FinTech ecosystem within the country.

Furthermore, colleagues from the Digital Financial Services Working Group (DFS WG) agreed that by formulating and implementing a national FinTech strategy that is well aligned and complementary to existing and future National Financial Inclusion Strategies (NFIS) or any other ecosystem shaping policy or strategy, countries are better placed to create an enabling environment that: supports the growth of FinTech companies, drives innovation, enhances financial inclusion, and ultimately contributes to their economic development and competitiveness in the digital era.

Considering this, this policy framework provides guidance for the development of a NFS that:

- > articulates time-bound measurable goals;
- > identifies resources, capabilities, and mechanisms required for its implementation; and
- > provides a framework to monitor, evaluate, and adjust performance based on insights within respective jurisdictions.

¹ Alliance for Financial Inclusion (AFI). 2022. Sochi Accord on Inclusive FinTech (Updated September 2022). Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/sochi-accord-fintech-for-financial-inclusion/>

THE POLICY FRAMEWORK IS PRESENTED IN A FOUR-STAGE PROCESS

1. SETTING THE AGENDA

The determination of the overarching agenda requires an inclusive, multi-stakeholder, phased approach that is deliberate, coordinated, grounded (not swayed by hype, trends, and technology choices), and collaborative. A series of stakeholders need to be identified and engaged, including the lead, coordinating, consultation, and implementation stakeholders. Under the direction of the lead stakeholder, authorities will be able to begin the NFS development process.



2. SITUATION ANALYSIS

During the situation analysis, relevant stakeholders begin to engage in the process of establishing the vision, mission, and rationale of the NFS, and provide clear thrusts to addressing specific and identified key problems or ambitions. This stage begins the process of contextualizing the NFS to each country's context and needs.



3. STRATEGY FORMULATION

By this stage, countries are now able to identify the key substantive pillars upon which they will build their NFS. While this will vary across countries due to differing needs, visions, and development levels, we suggest that most should consider building out three key elements for a thriving FinTech ecosystem that promotes financial inclusion and sustainable development more broadly²: (1) infrastructure; (2) regulation and governance, and (3) the wider ecosystem.



4. STRATEGY IMPLEMENTATION

In this final stage, the policy framework provides for the means through which policymakers can implement and realize their NFS objectives. In the first part, this can involve the development of a theory of change and an action plan. Subsequently, policymakers are advised on how to consider work allocation, budgeting, risk management, and a monitoring and evaluation framework.



Given the diversity of AFI members and stakeholders, the framework proposed in this report is designed and intended to be adaptable to varying compositions of stakeholders, collective interests, ambitions, jurisdictions, circumstances, scope, and development levels.

2 Arner, D. W. Buckley, R. P. Zetsche, D.A. 2018. Fintech for Financial Inclusion: A Framework for Digital Financial Transformation. 4 September 2018. UNSW Law Research Paper No. 18-87, University of Hong Kong Faculty of Law Research Paper No. 2019/001, University of Luxembourg Law Working Paper No. 004-2019, Available at <http://dx.doi.org/10.2139/ssrn.3245287>. See also UN Secretary-General's Task Force on Digital Financing of the Sustainable Development Goals (United Nations. n.d. The Task Force on Digital Financing of the Sustainable Development Goals. New York. UN. Available at: <https://www.un.org/en/digital-financing-taskforce#:~:text=The%20Task%20Force%20was%20established,of%20the%20Sustainable%20Development%20Goals> and Digital Financing Task Force. Available at: <https://digitalfinancingtaskforce.org/>); FinTech and Financial Inclusion (World Bank. Fintech and Financial Inclusion. Available online: <http://pubdocs.worldbank.org/en/877721478111918039/breakout-DigiFinance-McConaghy-FinTech.pdf>); and G20 report on Digital Financial Inclusion: Emerging Policy Approaches (Global Partnership for Financial Inclusion (GPFI). 2017. G20 report on Digital Financial Inclusion: Emerging Policy Approaches. GPFI. Available at: <https://www.gpfi.org/publications/g20-report-digital-financial-inclusion-emerging-policy-approaches>.)

INTRODUCTION

1.1 BACKGROUND

The Digital Financial Services Working Group (DFSWG) of the Alliance for Financial Inclusion (AFI) has been facilitating thought leadership and guidance on how the network can understand and support digital financial services (DFS), financial technology (FinTech), regulatory technology (RegTech), supervisory technology (SupTech), and other digital innovations to accelerate financial inclusion. This report takes these together under the broad heading of “FinTech”.

FinTech is widely and increasingly acknowledged as a critical enabler of and support for sustainable development and, more specifically, the United Nations Sustainable Development Goals (UN SDGs). This is particularly the case as economic, social, and financial activities are increasingly digitalized. The COVID-19 pandemic dramatically accelerated this process as communications, commerce, supply chains, and finance have been reoriented to be digital-first out of necessity, reinforcing and accelerating pre-existing trends.

This reorientation offers new means for financially excluded individuals and organizations to gain access to financial services and capital and to participate within economies in ways that they previously did not, thus driving stronger economic growth and supporting broad sustainable development. For example, FinTech-driven financial inclusion efforts can provide new means and ways for micro-, small-, and medium-sized enterprises (MSMEs) to gain access to finance through crowdfunding platforms; for governments to digitize social transfers and payments; and for members of the diaspora to make international remittances to unbanked friends and families’ e-money wallets. Yet, such economic and technological innovation also carries risks which can negatively impact markets, consumers, and societies more broadly. A small sample includes risks to cybersecurity, data privacy, and financial market integrity.

Maximizing the benefits while mitigating and minimizing the negative impacts of FinTech, therefore, will require smart approaches to the development of regulation and governance. The role of policymakers, central banks, and regulators in developing and implementing






strategies to maximize the benefits of digitalization and digital finance for financial inclusion and the SDGs while minimizing risks is pivotal. This will require a deliberate, coordinated, and collaborative approach, manifested through the development of national FinTech strategies.

1.2 PURPOSE & OBJECTIVES

This policy framework outlines the key processes and elements that are necessary for the development of a thriving and innovative FinTech ecosystem that supports responsible digital finance, addresses financial inclusion gaps, and contributes to sustainable development in a symbiotic fashion.

Having a separate National FinTech Strategy (NFS) alongside an NFIS is imperative because both strategies serve distinct yet complementary purposes. While the NFIS focuses on promoting financial inclusion and expanding access to financial services for underserved populations, the NFS addresses the broader landscape of FinTech innovation and its impact on the financial sector.

IT IS THEREFORE ESSENTIAL TO HAVE A SEPARATE NFS; HOWEVER, ENSURING IT COMPLEMENTS THE NFIS IS KEY AS DEMONSTRATED USING A FEW EXAMPLES BELOW:

STRATEGIC COMPONENTS / PILLARS	NATIONAL FINTECH STRATEGY (NFS)	NATIONAL FINANCIAL INCLUSION STRATEGY (NFIS)
<p>INNOVATION AND TECHNOLOGY FOCUS</p> 	<p>The NFS acknowledges the transformative potential of technology in the financial sector. It promotes the adoption and development of FinTech solutions, leveraging innovations to enhance efficiency, improve user experience, and introduce new financial products and services.</p>	<p>While the NFIS may touch upon the importance of technology in expanding financial inclusion, it is broadly focused on addressing exclusion barriers, disadvantaged populations and other socio-economic impediments to financial inclusion, the FinTech strategy, however, delves deeper into fostering an ecosystem of innovation and technology-driven growth.</p>
<p>REGULATORY AND POLICY FRAMEWORK</p> 	<p>A national FinTech strategy provides a specific framework to regulate and govern FinTech activities. It addresses the unique regulatory challenges and opportunities associated with technological advancements in finance, such as digital payments, blockchain, peer-to-peer lending, and robo-advisory services. This helps ensure that the regulatory environment remains agile, adaptable, and supportive of FinTech innovation.</p>	<p>NFIS may include some aspects of regulation but does not focus on comprehensive policies tailored specifically to FinTech activities.</p>
<p>MARKET DEVELOPMENT AND INTEGRATION</p> 	<p>The NFS aims to nurture the growth of the FinTech ecosystem and promote its integration with the broader financial services industry. It encourages collaboration between FinTech start-ups, established financial institutions, and other stakeholders to drive innovation, foster partnerships, and create synergies. This facilitates the development of FinTech-friendly infrastructure, investment opportunities, and a conducive environment for start-ups.</p>	<p>The scope and objective of the NFIS is much broader, primarily focused on expanding financial access and improving the delivery of financial services to underserved populations, and not specific to the FinTech ecosystem alone.</p>
<p>TALENT DEVELOPMENT AND CAPACITY BUILDING</p> 	<p>The NFS recognizes the need for a skilled workforce capable of driving FinTech innovation. It emphasizes talent development initiatives, such as specialized training programs, educational partnerships, and the establishment of FinTech-focused research centers. This helps cultivate a pool of professionals with expertise in emerging technologies and financial domains.</p>	<p>While the NFIS may touch upon capacity building to some extent, the FinTech strategy dedicates more attention to fostering a skilled talent pool for the FinTech industry.</p>
<p>INTERNATIONAL COLLABORATION AND MARKET POSITIONING</p> 	<p>The NFS also considers international collaboration and positioning in the global FinTech landscape. It explores opportunities for cross-border partnerships, harmonization of regulations, and participation in international FinTech initiatives. This helps countries align their strategies with global trends, leverage best practices, and attract foreign investment and FinTech companies.</p>	<p>The NFIS may have a more localized focus on addressing domestic financial inclusion challenges.</p>

In summary, a separate National FinTech Strategy complements the NFIS by addressing the broader FinTech landscape, promoting innovation, providing a regulatory framework, fostering market integration, nurturing talent, and positioning the country in the global FinTech ecosystem. Together, these strategies create a holistic approach that supports both financial inclusion and FinTech innovation, ultimately contributing to sustainable and inclusive economic growth.

Therefore, the NFS seeks to:

- > Provide principles to guide the development of an actionable strategy document whose foundation is an objective appraisal of the strategic vision of relevant institutions (or the lead regulator), as well as their goals, values, resources, and capabilities. In doing so, consideration should be given to the state of industry and emerging trends, customers, suppliers, stakeholders, internal and external influences, and other factors that are all set firmly within a well-defined boundary or context.
- > Provide guidelines for establishing a regulation and governance pillar that includes enabling appropriate and proportionate regulation and policies that support innovation and flexibility in ways that are specific to individual country contexts.³
- > Provide governance and other safeguards to ensure financial stability, consumer protection, market integrity, efficiency, and fair competition.⁴
- > Provide guidance on an ecosystem pillar to cater to the design and implementation of appropriate and necessary FinTech enablers and catalysts, such as, digital financial infrastructure, innovation facilities, regulatory and supervisory technology (RegTech and SupTech), regulatory sandboxes, and smart regulation for the development of new business models and innovations within the financial sector.⁵
- > Provide an approach to address resource and capability needs, including collaboration opportunities with innovation hubs, accelerators, academia, and more to support capacity building and talent upskilling to advance financial innovations and services for the ecosystem.⁶
- > Contribute to the achievement of the member country national financial inclusion goals or targets.⁷
- > Integrate the perspectives of vulnerable groups (e.g. youth, forcibly displaced persons (FDPs), women, older people, persons with disabilities, etc.) and approaches to the design and operation of FinTech services and products.⁸

Given the diversity of AFI members and stakeholders, the framework proposed herewith is designed and intended to be adaptable to varying compositions of stakeholders, collective interests, ambitions, jurisdictions, circumstances, scope, and development levels.



- 3 Tunyathon Koonprasert. Ali Ghiyazuddin Mohammad. 2020. Creating Enabling Environments - The Role of Regulators. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: https://www.afi-global.org/sites/default/files/publications/2020-01/AFI_FinTech_SR_AW_digital_0.pdf
- 4 See also Policy Model on Consumer Protection for Digital Financial Services (Consumer Empowerment and Market Conduct (CEMC) Working Group and Digital Financial Services (DFS) Working Group. 2020. Policy Model on Consumer Protection for Digital Financial Services. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/policy-model-on-consumer-protection-for-digital-financial-services/>).
- 5 See also Innovative Regulatory Approaches Toolkit (Digital Financial Services Working Group (DFSWG). 2021. Innovative Regulatory Approaches Toolkit. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/innovative-regulatory-approaches-toolkit>).
- 6 See also Creating Enabling Environments - The Role of Regulators (Tunyathon Koonprasert. Ali Ghiyazuddin Mohammad. 2020. Creating Enabling Environments - The Role of Regulators. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: https://www.afi-global.org/sites/default/files/publications/2020-01/AFI_FinTech_SR_AW_digital_0.pdf).
- 7 See also Policy Model for National Financial Inclusion Strategy (Alliance for Financial Inclusion (AFI). 2020. Policy Model for National Financial Inclusion Strategy. Kuala Lumpur. Alliance for Financial Inclusion. Available at: <https://www.afi-global.org/publications/policy-model-for-national-financial-inclusion-strategy>).
- 8 See also Integrating Forcibly Displaced Persons (FDPs) into National Financial Inclusion Strategies (Barratt, S. Ross, N. Muttai, M. Zahari, M.J. 2020. Integrating Forcibly Displaced Persons (FDPs) into National Financial Inclusion Strategies. Guideline Note 41. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/integrating-forcibly-displaced-persons-into-a-national-financial-inclusion-strategy/>); Integrating Youth into a National Financial Inclusion Strategy (Financial Inclusion Strategy Peer Learning Group (FISPLG). 2020. Integrating Youth into a National Financial Inclusion Strategy. Guideline Note 38. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/integrating-youth-into-a-national-financial-inclusion-strategy/>); National Financial Inclusion Strategy - M&E Toolkit (Alliance for Financial Inclusion (AFI). 2021. National Financial Inclusion Strategy Monitoring and Evaluation Toolkit. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/national-financial-inclusion-strategy-monitoring-and-evaluation-toolkit/>); Promoting Inclusive Green Finance Initiatives and Policies (Inclusive Green Finance work stream and the Inclusive Green Finance (IGF) Working Group. 2021. Promoting Inclusive Green Finance Initiatives and Policies. Defining the 4P Framework (series). Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/promoting-inclusive-green-finance-initiative-and-policies/>); and A Policy Framework for Women-led MSME Access to Finance (Alliance for Financial Inclusion (AFI). 2021. A Policy Framework for Women-led MSME Access to Finance. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWBGTG_PF_AW2_digital.pdf)

1.3 DEVELOPING A NATIONAL FINTECH STRATEGY

With most AFI member countries with an NFIS, the approach to the development of an NFS is inter-related to the NFIS development process, with considerations for a more focused group of strategic pillars, scope, policy focus, stakeholders, and partners.

There is, therefore, an emergent demand on financial regulators and policymakers to develop and implement a coordinated and interconnected approach that is anchored in:

- (i) available resources and capabilities,
- (ii) (re-)design within the industry,
- (iii) changing needs of customers,
- (iv) innovations employed by suppliers and channels,
- (v) varying interests of stakeholders, and
- (vi) internal and external influences or factors that inform the actions needed to provide guidance in the form of the policy framework on developing a FinTech strategy.

The resultant strategy is developed based on the pillars highlighted in this policy framework, and is expected to provide a clear, actionable, and inclusive direction for the FinTech ecosystem. Further, it will support in

identifying and designating resources and capabilities integral to the performance of the strategic objectives, targets, or priorities.

This policy framework posits that a robust and inclusive FinTech strategy that achieves in part or fully the objectives highlighted above, can be developed by adopting and adapting the four-stage process in Figure 1 below.

The amount of time that it will take to work through these stages is dependent upon a series of factors, including:

- > the scope and depth of relevant background research, data collection, and baseline setting;
- > the timeliness and efficiency of stakeholders' engagement methods;
- > the number and range of consultations and consultation stages;
- > how well milestones and deadlines are determined, tracked, and achieved, and
- > the time taken to secure relevant inputs and buy-in, and to execute approval (individual or collective, as applicable).

⁹ World Bank. 2018. Developing and Operationalizing a National Financial Inclusion Strategy. Washington DC. World Bank. Available at: <https://doi.org/10.1596/29953>

FIGURE 1: FOUR STAGES OF THE POLICY FRAMEWORK FOR DEVELOPING A FINTECH STRATEGY



1. SETTING THE AGENDA



The first steps that need to be taken when setting up the guiding agenda from the outset are: (i) the identification of relevant stakeholders, and (ii) the formation of appropriate execution model to coordinate and implement the delivery of the strategy.

1.4 IDENTIFYING STAKEHOLDERS

The development of an NFS includes both procedural and substantive aspects. Procedural aspects include concrete steps and considerations for policymakers and regulators to take at various stages of their strategy development process.

Substantive aspects relate to the identification and determination of the various thematic focus areas, important technical capabilities, and objectively defined priority areas that should be incorporated into various components of the FinTech strategy.

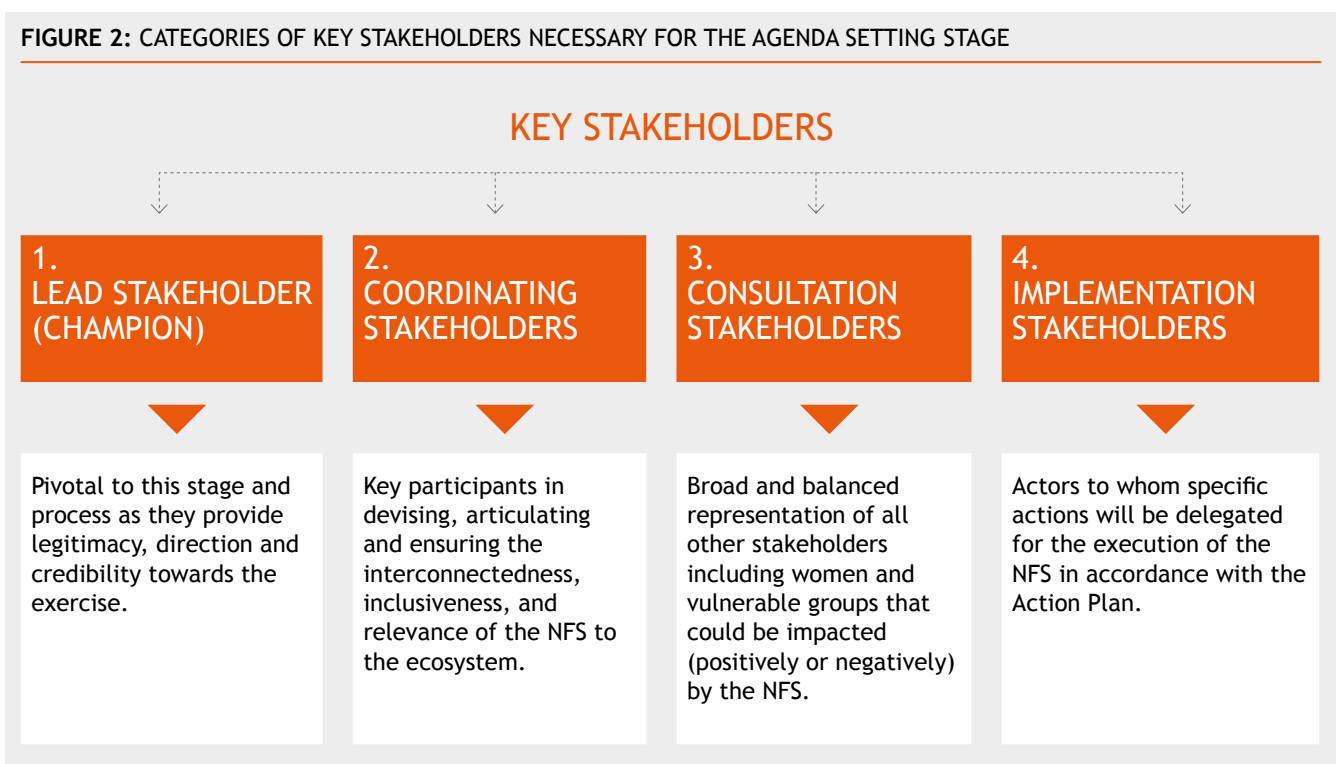
The resultant product of these two aspects is the development of a comprehensive and representative agenda to guide the development of the NFS - the Agenda Setting Stage. The determination of the overarching agenda requires an inclusive, multi-stakeholder, and phased approach that is deliberate, coordinated, grounded (not swayed by hype, trends, and technology choices), and collaborative.

This is pertinent as the strategy development process needs to secure broad buy-in, responding to the aspirations and concerns of the many stakeholders who are invested in the development of a thriving inclusive national FinTech ecosystem. Hence, it is important to identify the key actors and stakeholders who will need to take part in the conceptualization, development, implementation, and oversight of the national FinTech strategy (NFS) and its vision.

Four categories of stakeholders that can be useful for this exercise are identified in the policy framework:

- a. Lead Stakeholder(s) (“Champion”)
- b. Coordinating Stakeholders
- c. Consultation Stakeholders
- d. Implementation Stakeholders

FIGURE 2: CATEGORIES OF KEY STAKEHOLDERS NECESSARY FOR THE AGENDA SETTING STAGE



1 THE LEAD STAKEHOLDER

The Lead Stakeholder is pivotal to this process as they provide legitimacy and credibility towards the exercise.

Moreover, their leadership ensures that there is a focal point of coordination and accountability for driving the NFS towards its fruition. In most cases, this role is likely to be given to the central bank, the ministry of finance, or some inter-agency coordinating committee with appropriate authority and competence to secure high-level buy-in and to drive attainment of the NFS.

Determining who will take on this role is highly context-specific and will differ across jurisdictions. A few examples include the Central Bank of Nigeria¹⁰ and Qatar Central Bank.¹¹

2 COORDINATING STAKEHOLDER

Coordinating Stakeholders are the key actors who will participate in devising and producing the NFS.

They will typically be within a coordination committee. It will be important to populate the coordination committee with individuals who are appropriately qualified, have relevant experience, and can translate the aspirations of the NFS vision into the technical

components, priorities, and metrics necessary to achieve it. Further, in terms of size, the coordination committee should not be so large as to impede reasonable progress, deliberation, and consensus building.

Conversely, the group should not be so small as to unnecessarily exclude relevant voices and participation. As with most group formation, this can be a delicate balancing act.

3 IMPLEMENTATION STAKEHOLDERS

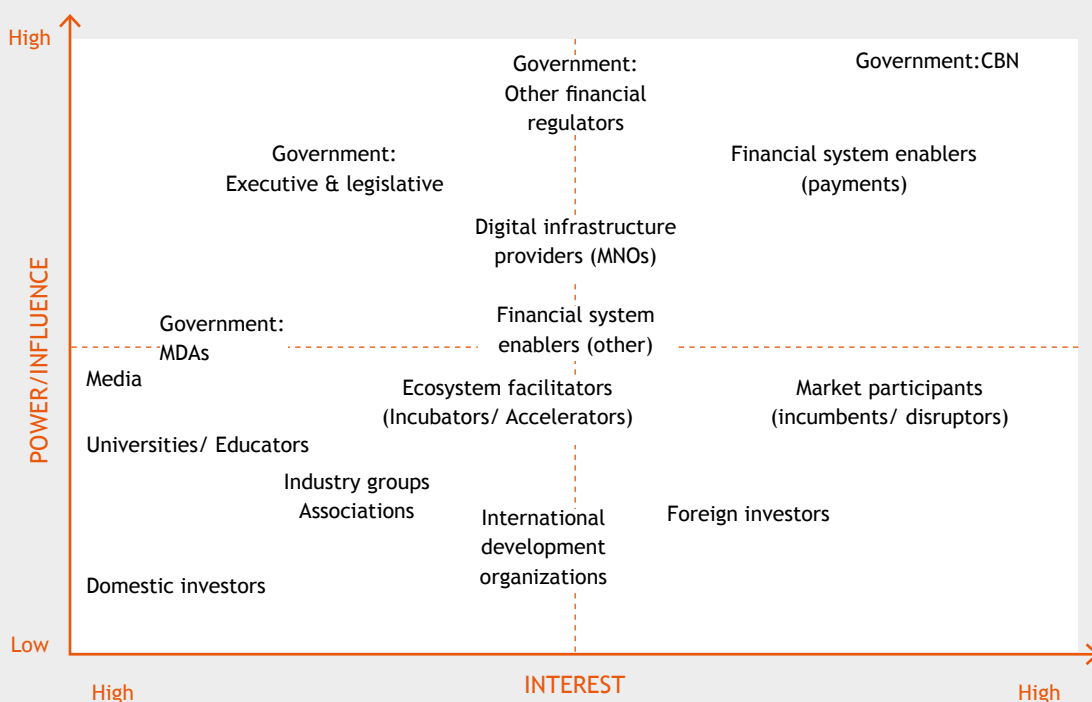
Implementation Stakeholders are the actors to whom specific actions will be delegated for the execution of the NFS in accordance with the Action Plan.

These actors will be responsible for conducting implementation activities, measuring and monitoring performance, recommending timely course-adjustments, and achieving specified outputs within established timelines.

10 Steering Committee for the Nigerian National FinTech Strategy (National Financial Inclusion Steering Committee. 2022. Nigeria's National FinTech Strategy 2023. Central Bank of Nigeria. Available at: <https://www.afiglobal.org/publications/nigerias-national-fintech-strategy-2023/>)

11 Qatar Central Bank. 2023. Summary of the FinTech Sector Strategy in the State of Qatar. March 2023. Doha. Qatar Central Bank. Available at: <http://www.qcb.gov.qa/Arabic/strategicplan/Documents/%D8%A7%D9%86%D8%AC%D9%84%D9%8A%D8%B2%D9%8A.pdf>

FIGURE 3: CENTRAL BANK OF NIGERIA FINTECH ECOSYSTEM STAKEHOLDER MAPPING EXERCISE



4 CONSULTATION STAKEHOLDERS

Finally, Consultation Stakeholders are all other stakeholders who have an interest in or will be impacted (positively or negatively) by the development of the NFS.

This group should be broadly constituted to represent as many affected and relevant constituents that will be impacted by the NFS or who are involved in the FinTech ecosystem as possible.

Examples of potential stakeholder groups include academia, civil society, financial institutions, international investors, international organizations, external consultants, and relevant government agencies and regulators. Broad consultation and engagement will help to ensure buy-in and minimize disruptions to the NFS development and implementation because relevant stakeholders will feel as though their voices and perspectives are being heard and incorporated appropriately into the process.

For further contextualization of the actors and to better understand the roles that stakeholders could play, policymakers can consider deploying a power/interest matrix, as Nigeria did in its FinTech ecosystem stakeholder mapping exercise.¹² See Figure 3 opposite.

The four quadrants of the matrix are:

- > **High power, Low interest:** these actors wield significant influence but maintain a low level of scrutiny of the FinTech ecosystem. They include the executive and legislative arms of government.
- > **High power, High interest:** these are critical ecosystem stakeholders and decision-makers. These include financial regulators and payments services and infrastructure (telco) enablers.
- > **Low power, High interest:** actors with varying degrees of interest in the FinTech ecosystem. Some may be advanced in knowledge but wield limited power to instigate change among other ecosystem members. These are typically market actors like incumbent financial institutions and the new wave of disruptors.
- > **Low power, Low interest:** these are necessary stakeholders with minimal influence. Educators and learning institutions, industry groups and associations fit into this category.

For further guidance on identifying stakeholders, see Annex 1 below.

1.5 DEVELOPING THE EXECUTION MODEL

Once the relevant stakeholders have been identified, it will be incumbent upon the Lead Stakeholder to determine an appropriate execution model.

The execution model is a documented approach that identifies every stakeholder, defines their role(s) and describes objectively how they will contribute to the NFS development process, including how stakeholders actively engage and organize themselves, and put in place necessary processes and mechanisms that will contribute to the effective and efficient delivery of the NFS project goals.

These units will typically be coordinated and/or formed by the Lead Stakeholder or under their direction. Potential units (or team functions) that the Lead Stakeholder could consider include:

- > **Executive or Project Sponsor:** this is the body or group of high-level institutional leaders that provide overall direction, endorsement, alignment with institutional vision and mandate, and final approval to the NFS.
- > **The Coordination or Steering Committee:** a body that connects the Lead Stakeholder and the Coordination Stakeholders for meaningful and productive engagement. Their role would be to lead the drafting process of the NFS document, coordinate engagement or principles of engagement with relevant Consultation Stakeholders, secure buy-in from institutional leadership, identify actors relevant for implementation, and accord roles and responsibilities for developing the NFS and its implementation.
- > **Working Groups:** these are specialist groups that provide technical expertise and insights into various aspects of the NFS. As FinTech touches upon a broad range of issues and sectors of society, it will be important to have these incorporated into and reflected in the NFS.

Potential working groups could include those for consumer behavior, technology and emerging innovations, DFS, data privacy and protection, cybersecurity, consumer protection, financial

¹² See Page 14 of Nigeria National FinTech Strategy (National Financial Inclusion Steering Committee. 2022. Nigeria's National FinTech Strategy 2023. Central Bank of Nigeria. Available at: <https://www.afii-global.org/publications/nigerias-national-fintech-strategy-2023/>)

stability, market integrity (AML & CFT), green/sustainable finance, training and knowledge exchange, ecosystem development, funding and finance, infrastructure, gender transformation perspectives, talent management, targeted vulnerable populations, and much more.

Once these structures have been created, it is important for the Lead Stakeholder and the Coordination Committee to consider how they will communicate and engage with the various units. Potential avenues towards doing this include consultation workshops, individual stakeholder meetings, drafting retreats, and the solicitation of written inputs and comments to various aspects of the NFS design, strategic priorities, and implementation plan. To ensure maximum utility, stakeholder engagement through these mechanisms should be conducted early on and frequently during the process of NFS development and validation.

Having identified appropriate stakeholders and considered initial governance structures and engagement procedures, policymakers are now in a position to begin thinking through and developing the NFS more substantively.

BOX 1: STAKEHOLDERS CONTRIBUTING TO THE NATIONAL FINTECH STRATEGY BY THE CENTRAL BANK OF NIGERIA¹³



Steering Committee Structure for the development of the National FinTech Strategy

The Central Bank of Nigeria (CBN) adopted a bottom-up, stakeholder driven approach to the development of its recent National FinTech Strategy (NFS). To lead the agenda setting and ensure broad buy-in and collaboration, the development of the strategy was managed on behalf of all stakeholders by the National Financial Inclusion Secretariat of the CBN, which was responsible for coordinating all national stakeholders for the objective of achieving an inclusive, well rounded, and actionable NFS.

A steering committee (coordinating and consultation stakeholders) was then set up to lead, provide guidance and execute different roles and functions in the development of the NFS. The following broad categories of stakeholders formed the steering committee:

- > CBN internal stakeholders (Lead and Implementation Stakeholder): these are policy development and implementation departments within the CBN that have responsibilities covering regulatory and policy thematic areas including payment systems, regulation, licensing, supervision, IT and communications, FinTech-related innovations, financial inclusion delivery, consumer protection and financial intelligence and integrity units.
- > Existing national financial inclusion stakeholders (Coordination, Consultation, and Implementation Stakeholders): these include government ministries, department and agencies (MDAs) which have responsibilities that relate to financial inclusion, digital economy, communications, other financial and industry regulators, FinTech, or digitalization of the Nigerian Economy. It also includes development partners and representatives of apex associations.
- > Sectoral Players (Consultation Stakeholders): this group is made up of players that are directly^{***}, involved with FinTechs or FinTech themselves.

At the outset of the NFS development, all these stakeholders convened and participated in the FinTech scoping roundtable that recommended the development of a FinTech Strategy.

¹³ Interview with the Central Bank of Nigeria highlighting the structure and approach adopted by the Central bank of Nigeria (CBN) in organising and ensuring contributions from a broad spectrum of stakeholders to the National FinTech Strategy launched in November 2022.

Rwanda adopted a two-tier model in which it separated its Steering Committee - which would serve as the core governance structure - from a series of interdepartmental working groups that would serve as implementation units. Sitting in between these two tiers is a secretariat/implementation coordinator that controls communication between the two tiers.¹⁴

The Steering Committee constitutes:

- > the National Bank of Rwanda (BNR),
- > the Ministry of ICT and Innovation (MINICT),
- > the Ministry of Finance and Economic Planning (MINECOFIN),
- > the Rwanda Utilities Regulatory Authority (RURA),
- > the Capital Markets Authority (CMA),
- > Rwanda Finance Limited (RFL),
- > Rwanda Bankers Association (RBA),
- > the Rwanda Insurance Association (ASSAR),
- > the Association of Microfinance Institutions (AMIR), and
- > the FinTech association.

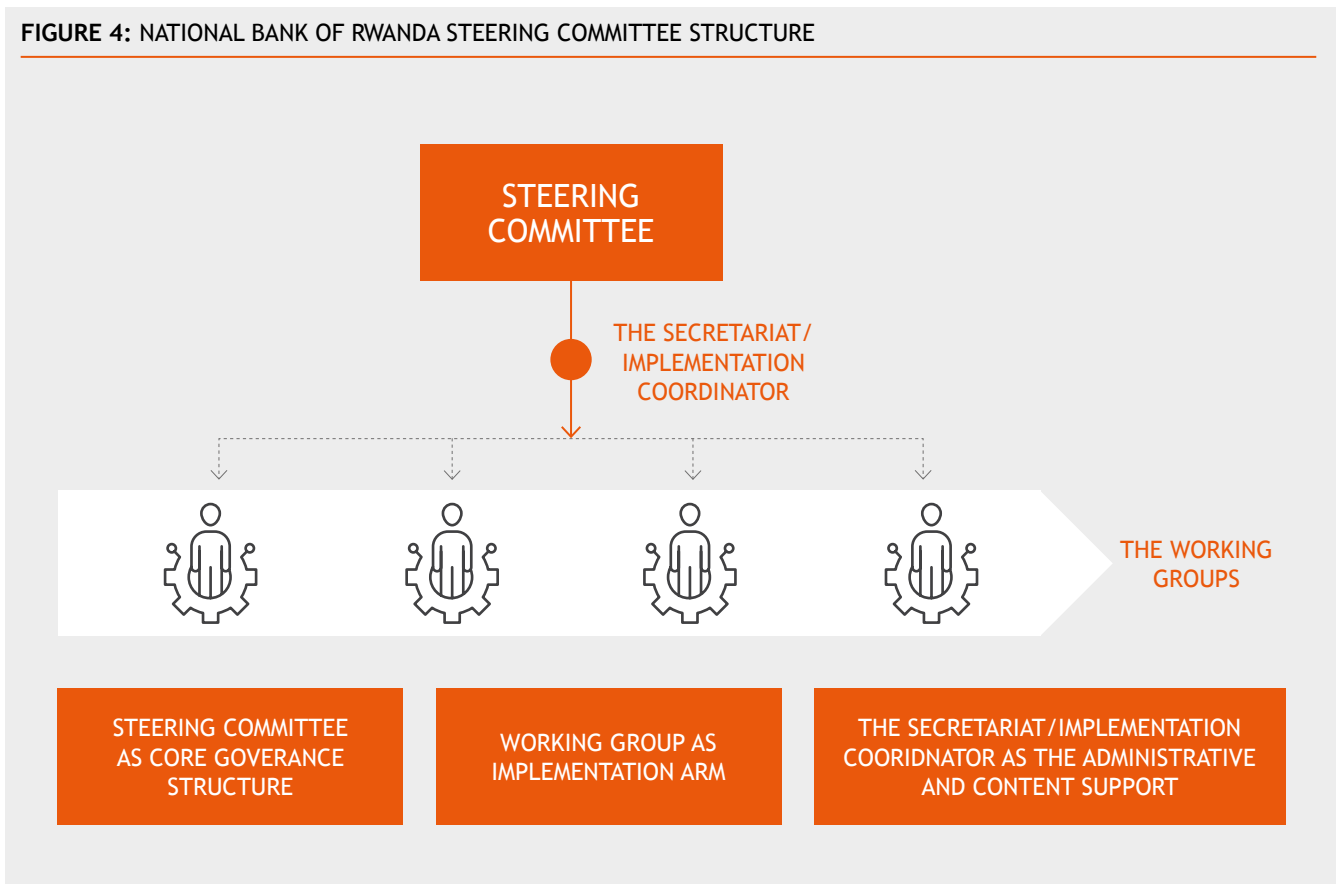
Co-chaired by the MINICT and MINECOFIN, these 10 institutions form the central governance structure

for the FinTech strategy in Rwanda and take ultimate accountability for its outcomes.

The interdepartmental working groups are formed under the auspices of the steering committee with an explicit mandate around specific FinTech sub-sectors. Each group is accountable to the steering committee for meeting the specific objectives of the FinTech strategy. The split into working groups allows for the strategic utilization of resources among the key public institutions and for building robust and technical knowledge across a range of FinTech activities. The strengths of the various working group individuals can be leveraged in line with their institution’s mandate, and the group setting allows for coordinated discussion and actions to advance specific FinTech sub-sector agendas. The objective of coordination is particularly important given that actors within the FinTech sector frequently operate outside or across traditionally regulated financial market silos.

¹⁴ See page 30 of Rwanda FinTech Strategy 2022-2027. (Ministry of ICT and Innovation. 2022. Rwanda FinTech Strategy 2022-2027. April. Kigali. Ministry of ICT and Innovation (MINICT). Available at: <https://www.minict.gov.rw/index.php?eID=dumpFile&t=f&f=41306&token=d582a81725e7b8289f1579fd34e9dbc40b8ad087>

FIGURE 4: NATIONAL BANK OF RWANDA STEERING COMMITTEE STRUCTURE



2. SITUATION ANALYSIS



The NFS should be a public policy document that clarifies the direction of the collective stakeholders.

The strategy will establish the vision, mission, and rationale of the NFS, and provide clear thrusts to addressing specific and identified key problems or ambitions. It should also provide alignment on the governance aspect, ensuring that policies, regulations, and approaches are balanced and proportionate, guaranteeing the integrity, stability, inclusion, protection and competitiveness of the financial system. When working through these dimensions, it will be typical for countries to assess their needs internally.

However, countries should bear in mind that it is possible to also look externally in a process of benchmarking. For example, when Rwanda was determining how it would become a global FinTech hub, it assessed factors that contribute to the success of other FinTech hubs internationally. It sought out countries that shared significant geographic, strategic, and contextual parallels with Rwanda to chart an informed path forward. This is highlighted in the table below.¹⁵

¹⁵ See page 10 of Rwanda FinTech Strategy 2022-2027. (Ministry of ICT and Innovation. 2022. Rwanda FinTech Strategy 2022-2027. April. Kigali. Ministry of ICT and Innovation (MINICT). Available at: <https://www.minict.gov.rw/index.php?eID=dumpFile&t=f&f=41306&token=d582a81725e7b8289f1579fd34e9dbc40b8ad087>

FIGURE 5: RWANDA NFS SUMMARY OF FACTORS CONTRIBUTING TO FINTECH HUB SUCCESS

	INFRASTRUCTURE	REGULATION	BUSINESS SUPPORT	ACCESS TO FINANCE	MARKET ACCESS (DEMAND)	TALENT
CHILE			Support for accelerators has created a vibrant start-up ecosystem		High levels of financial inclusion and mobile penetration	Attractive and streamlined work visa regime
KENYA	Conducive infrastructure	Innovative and proactive regulation			High financial inclusion, financial literacy, and mobile penetration	Good tech-based community
LITHUANIA	Solid infrastructure to attract FinTechs	Easy access to licences	Supports founders with admin			
SINGAPORE		Progressive regulatory support		Start-up-focused investor ecosystem	Cross-border access to customers and partners	Strong business and tech talent pool
SOUTH AFRICA		Progressive regulatory support and inter-governmental collaboration	Sophisticated fintech community supported by regular fintech events			Strong talent and skills pool

1.6 ESTABLISH THE VISION

Establishing the most appropriate and achievable vision for the jurisdiction should fit into a four-stage process (see Figure 6 below) to ensure that it is aligned, pragmatic, and actionable.

1.6.1 DEFINE FINTECH

As FinTech could mean different things to each stakeholder, it is recommended that the process start with establishing the vision by defining what the term means within the context of the NFS, the jurisdiction, and the collective stakeholders vested in the strategy.

RECOMMENDATIONS

- > The definition should consider and reflect broad dimensions within the ecosystem including demand, supply, distribution, regulation and governance, ecosystem acceleration, enabling innovations, inclusion, protection, and competition.
- > The adopted definition must reflect the present and anticipated future realities of the jurisdiction.
- > The definition should be gender-transformative and clear on what FinTech must enable, support, accelerate, prevent, protect, and sustain from an inclusion and sustainability perspective.

1.6.2 CLARIFY THE RATIONALE

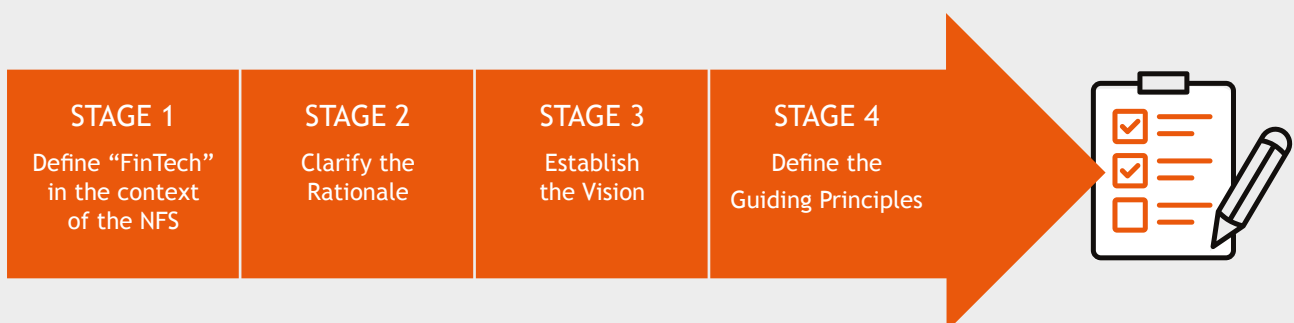
To establish a clear and achievable vision, the Lead and Coordinating stakeholders need to consider the rationale for embarking upon such a strategy and the ensuing journey.

Clarifying the rationale stage should answer the question “why the NFS?”. This can be done by identifying specific drivers and inhibitors for FinTech - in particular, by examining activities and entities involved, and the ecosystem. Stakeholders across both public-private domains must candidly answer the question of why the NFS is needed, via an objective appraisal of available resources and capabilities required to address primary challenges in the ecosystem and initiate or accelerate the transformation desired.

RECOMMENDATIONS

- > Be objective in clarifying the reasons and rationale for the NFS journey
- > Consider the NFS and the likely impact from a broad time horizon:
 - what will be required?
 - what is the likely impact across different aspects, including the social, economic, infrastructural, policy-related, environmental, and investment-related ones across different time horizons e.g. 12 months, two years, five years, 10 years etc.?
- > Appraise the commitment and buy-in of key stakeholders towards adoption and performance
- > Appraise the necessary foundation for planning actions, monitoring progress, and evaluating the impact of policies, reforms, and initiatives

FIGURE 6: STAGES FOR ESTABLISHING THE VISION FOR AN NFS



1.6.3 ESTABLISH THE VISION

The overarching vision of a NFS is perhaps the single most important element. It provides the direction and desired end point of the NFS, as well as the reasons a government would want to pursue an NFS.

As such, the vision should answer the question, “what would the successful implementation of the NFS achieve?” This can be drafted as either a statement or a slightly longer exposition. Establishing the vision should follow an inclusive, multistakeholder process that reflects national ambitions and the full spectrum of its constituents.

For further considerations on the drafting of a Vision Statement, see Annex 3.

1.6.4 DEFINE THE GUIDING PRINCIPLES

With the vision established, it is prudent to define clear principles to guide the formulation of the strategy and the achievement of the vision. The guiding principles should serve as anchors to the key objectives in the strategy and the performance of each of them.

Examples of core themes upon which principles could be defined include, but are not limited to the following:

- > **Transparency** - accurate and complete information sharing, availability, and accessibility among all stakeholders
- > **Proportionality** - use of the criterion of proportionality to establish regulatory requirements that are foundational to a thriving FinTech ecosystem
- > **International Standards** - ensuring recognition and compliance of relevant international standards¹⁶
- > **Cooperation** - promoting collective cooperation towards building an enabling and conducive ecosystem for all actors, including the inclusion and protection of women and other vulnerable groups
- > **Fit for Purpose** - provision, targets, interventions, and priority areas identified in the strategy should be relevant to the context of the market, its actors, and operating entities. Further, the strategy should be monitored to ensure relevance is maintained for vulnerable segments including women, youth, older people, internally and forcibly displaced persons, etc.

1.7 BASELINE ASSESSMENT

After determining the vision for the national FinTech ecosystem, national authorities should conduct a baseline assessment.

The objective of a baseline assessment is to benchmark the current state of FinTech within the national ecosystem and thus identify what obstacles and opportunities are available to policymakers in relation to their vision. This will require extensive stakeholder engagement across a range of relevant and applicable sectors (these can be drawn from the Consultation Stakeholder group previously identified). In so doing, this exercise considers questions such as the following:

- > What are the drivers for FinTech products and services and how strong are they?
- > What are the existing business models, financial products, and services?
- > Who are the various actors and participants within the national FinTech ecosystem?
- > What is the state of regulation and who has relevant competence?
- > What are the current talent development initiatives?
- > What kind of financing is available?

Conducting a baseline assessment is important for several reasons. First, it lets policymakers know where things stand and from where they will be starting. Second, it gives them an opportunity to engage with all relevant stakeholders so that they can create buy-in for concerted and coordinated action towards ecosystem development. Third, it helps to ensure a much more efficient and effective allocation of future development resources by preventing initiatives that are duplicative or at cross-purposes to the NFS vision.

Different countries will have varying sources and data quality that they can draw from. As such, it will be helpful to turn to as broad a range of sources and data collection methods.

¹⁶ These include: Payment Card Industry Data Security Standard (PCI DSS), ISO 20022 (for financial messaging), EMV (Europay, Mastercard, and Visa) standards for secure card transactions, Financial Action Task Force (FATF) Recommendations, ISO/IEC 27017 (Code of practice for information security controls), ISO/IEC 27018 (Code of practice for protection of personal data in the cloud), Cloud Security Alliance (CSA) Security, Trust, and Assurance Registry (STAR) certification, ISO 22739 (Blockchain and distributed ledger technologies - Vocabulary), ISO 27000 series (Information security management systems standards, applicable to blockchain systems), and ISO/IEC 27001 (Information security management systems). It is important to note that this list is not exhaustive.

This can include the following:

- > National registrar data repositories
- > Relevant international organization data repositories, e.g. from the World Bank (Global Findex Database)
- > Reports from external consultants, civil society, and academia
- > Qualitative and quantitative surveys

For further guidance on conducting a baseline assessment, see Annex 3 below.

1.8 DETERMINE THE STRATEGIC OBJECTIVES

Having completed the baseline assessment and prepared the vision for their NFS, national policymakers are now able to set a series of objectives. - These are key priority

areas that must be achieved towards the realization of the NFS. In producing the objectives, extensive outreach, and engagement by the Lead and Coordinating Stakeholders is needed.

Depending on the definition and scope of FinTech within the context of the jurisdiction and its FinTech strategy, FinTech touches upon several fields and sections of society that will all need to be considered.

However, the Seychelles, in their 2021 National FinTech Strategy, adopted a simpler vision consisting of only three supporting pillars.¹⁷ These pillars address digital infrastructure, regulation and governance, and the development of its FinTech ecosystem.

¹⁷ Seychelles National FinTech Strategy 2021 at 10.

BOX 2: CBE'S FINTECH AND INNOVATION STRATEGY - THE FIVE PILLAR FRAMEWORK

Central Bank of Egypt FinTech and Innovation Strategy

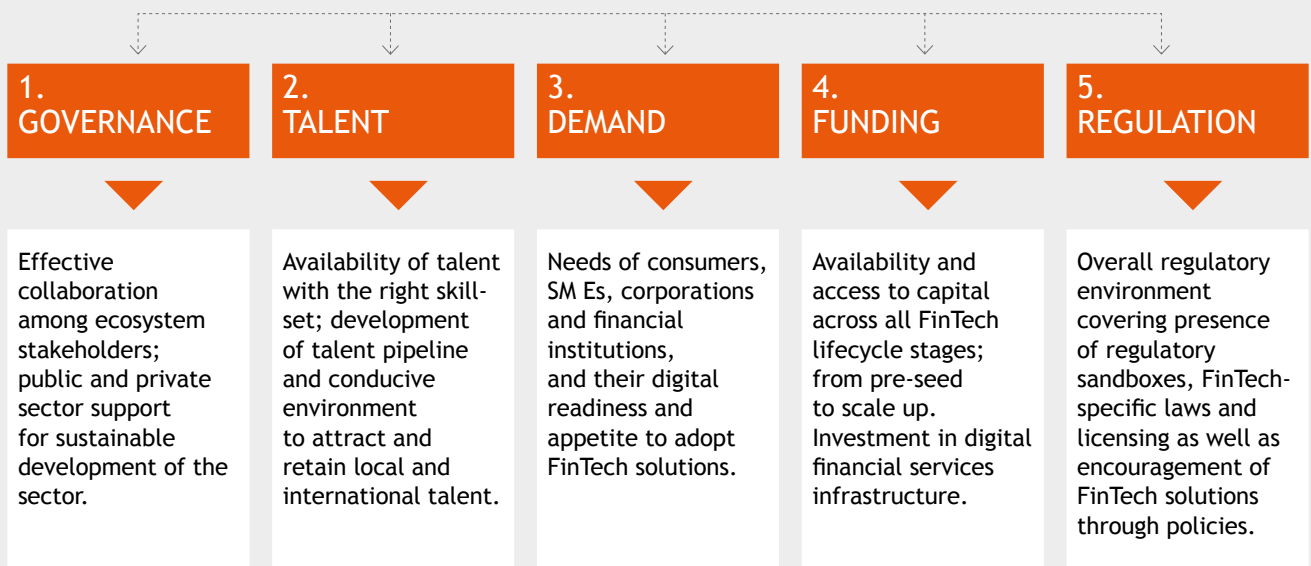


The Central Bank of Egypt (CBE), aligning with the National Vision for 2030, developed a FinTech and Innovation Strategy in 2018. The vision of the strategy is “to become the leader in financial services for the MENA and Africa region”, and actively support the modernization and innovation of Egypt’s financial sector. To achieve this vision, ecosystem assessments were done by engaging industry and consumer

focus groups and conducting relevant stakeholder interviews and global benchmarking. This resulted in the identification of five key strategic objectives (or pillars) for the strategy, namely:

- I. demand
- II. funding
- III. regulation
- IV. talent
- V. governance

FIVE PILLAR FRAMEWORK



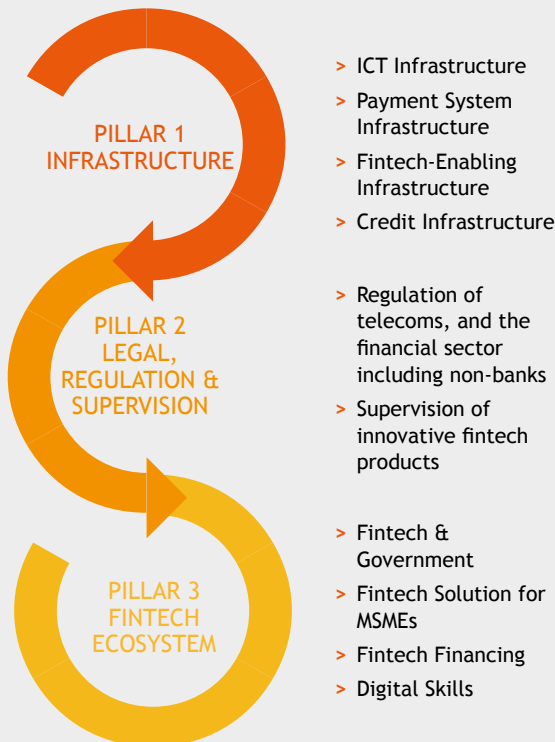
**BOX 3: CENTRAL BANK OF SEYCHELLES’
NATIONAL FINTECH STRATEGY PILLARS****Central Bank of Seychelles National FinTech Strategy**

The Central Bank of Seychelles (CBS), identified the following objectives under three main pillars:

Pillar 1: Digital Infrastructure aims to establish the requisite ICT, payment systems, credit infrastructure, and ancillary-enabling infrastructure to physically facilitate and adopt FinTech transactions in Seychelles.

Pillar 2: Legal, Regulation, and Supervision seeks to create a conducive and effective legal and regulatory framework for FinTech, while mitigating risks and promoting financial stability, market integrity, and consumer protection.

Pillar 3: FinTech Eco-System supports the development of the FinTech ecosystem through government leadership and government payments and transactions, facilitating FinTech for MSMEs, and financing and skills development, to encourage FinTech supply and demand.



Source: CBS

Finally, in contrast to both examples, El Salvador adopted four strategic objectives that are founded upon a six-pillar framework for its NFS.¹⁸

These examples demonstrate that there is no “one-size-fits-all” framework and that countries have wide latitude to determine which strategic objectives are important towards helping them to achieve their NFS vision.

Given these examples, we make the following recommendations:

- > Consider holistically each strategic pillar (or strategic objective) and ensure alignment with various constituent elements and their individual and collective goals to be achieved.
- > Approach identification of strategic objectives from a developmental perspective and prioritize foundational objectives in the initial phases of implementation.
- > Consider building strategic objectives adapted to the specific context of your jurisdiction, that inherently will initiate, accelerate, sustain, and ensure the delivery of a thriving FinTech ecosystem that promotes financial inclusion and sustainable development.¹⁹
- > Consider soliciting perspectives, inputs, and feedback on the strategic objectives through a broad range of engagements and mechanisms, such as consultation workshops, written inputs, and the formation of working groups.
- > Consider aligning the objectives with other interventions or sovereign policy initiatives or visions, such as a digital economy strategy or an NFIS etc. Examples of some common areas include data privacy and protection; cybersecurity; consumer protection; financial stability; market integrity; green or sustainable finance; gender; and the protection of vulnerable populations, such as youth, the elderly, and forcibly or internally displaced persons.

¹⁸ El Salvador National FinTech Strategy 2022-2024 at 22.

¹⁹ Arner, D. W. Buckley, R. P. Zetsche, D.A. 2018. Fintech for Financial Inclusion: A Framework for Digital Financial Transformation. 4 September 2018. UNSW Law Research Paper No. 18-87, University of Hong Kong Faculty of Law Research Paper No. 2019/001, University of Luxembourg Law Working Paper No. 004-2019, Available at <http://dx.doi.org/10.2139/ssrn.3245287>. See also UN Secretary-General's Task Force on Digital Financing of the Sustainable Development Goals (United Nations. n.d. The Task Force on Digital Financing of the Sustainable Development Goals. New York. UN. Available at: <https://www.un.org/en/digital-financing-taskforce#:~:text=The%20Task%20Force%20was%20established,of%20the%20Sustainable%20Development%20Goals>) and Digital Financing Task Force. Available at: <https://digitalfinancingtaskforce.org/>; FinTech and Financial Inclusion (World Bank. Fintech and Financial Inclusion. Available online: <http://pubdocs.worldbank.org/en/877721478111918039/breakout-DigiFinance-McConaghy-FinTech.pdf>); and G20 report on Digital Financial Inclusion: Emerging Policy Approaches (Global Partnership for Financial Inclusion (GPII). 2017. G20 report on Digital Financial Inclusion: Emerging Policy Approaches. GPII. Available at: <https://www.gpii.org/publications/g20-report-digital-financial-inclusion-emerging-policy-approaches>)

UNITED KINGDOM

The United Kingdom (UK) is a significant international financial capital and a leading FinTech hub. The UK's FinTech Sector Strategy²⁰ aligns with the country's Industrial Strategy and the UK Digital Strategy, with the view to maintain and extend the country's FinTech leadership.

Data from the 2017 UK FinTech census informed the strategy development process.²¹ This includes:

- I. Meeting the needs of the FinTech sector: this section of the document looks at strategic initiatives to remove barriers to entry and growth faced by FinTech firms in the UK. The initiatives include:
 - i. RegTech adoption by the UK regulators, to reduce regulatory compliance costs using machine-readable rules.
 - ii. Launching the Connect with Work Programme to support FinTechs in accessing appropriate talent.
 - iii. Developing shared platforms to facilitate industry and government collaboration on ways to reduce market entry barriers for FinTechs, encouraging competition.
- II. Setting up industry standards to enable partnerships between FinTechs and incumbent financial players.
- III. Establishing the FinTech Bridge Agreement Model, starting with Australia, to open new markets for UK FinTechs.
- IV. New opportunities offered by UK FinTechs: this section identifies areas of emerging opportunity offered by UK FinTechs, including new technologies and ensuring that everyone across the UK feels the benefits of FinTech, including the excluded. Strategic initiatives covered under this section include:
 - i. Appointing three national FinTech envoys and establishing a national FinTech program, to ensure FinTech benefits are inclusive across the UK.
 - ii. Establishing a crypto assets task force comprising the Treasury, the Bank of England, and the Financial Conduct Authority to further explore the risks and benefits of the technology underlying crypto assets.

SEYCHELLES

The Seychelles also adopts an exemplary integrative approach in the development of its NFS. Its strategy is “informed by, and supports the achievement of, the Seychelles Vision 2033 and the linked roadmap of the Seychelles National Development Strategy 2019-2023, specifically the pillars of partnership, good governance, people-centric development, innovative economy, and economic transformation. A key aspect

of these efforts is enhancing the use of Information Communication Technology (ICT) more broadly and FinTech specifically”.

The Seychelles National Development Strategy 2019-2023 notes “the operationalization of FinTech will bring about several benefits, including enhanced and more tailored banking services with possible decrease[s] in transaction costs and higher compliance standards to ensure that the jurisdiction remains internationally credible and whitelisted.”

The strategy is also aligned with the World Bank's Seychelles Digital Economy for Africa (DE4A) Assessment conducted in 2019. The Seychelles FinTech Strategy (SFS) further builds on the Central Bank of Seychelles' (CBS) Modernization of the National Payment Systems Policy Paper, which aims to establish a national payment system that is affordable and reliable and relevant Financial Services Authority (FSA) strategies that promote innovation and digitization.

In addition, the strategy will be aligned with the Seychelles National Anti-Money Laundering and Countering the Financing of Terrorism Strategy 2020-2023.”²²

20 HM Treasury. 2018. Fintech Sector Strategy: Securing the Future of UK Fintech. March. London. Accessed 21 December 2022. Available at: <https://www.gov.uk/government/publications/fintech-sector-strategy>

21 Henderson, C. 2017. UK FinTech Census 2017: The Key Facts. Digit News. 21 September. Accessed 21 December 2022. Available at: <https://www.digit.fyi/uk-fintech-census/>

22 Seychelles National FinTech Strategy 2021 at 6.

3. STRATEGY FORMULATION



Each strategy, when considered holistically, should seek similar alignment in terms of its developmental goals, as constituted by various substantive elements. While this will vary across countries due to differing needs, visions, and development levels, we suggest that most should consider identifying from reliable data, ecosystem trends and insights, and priority elements that will accelerate and support a thriving FinTech ecosystem while promoting financial inclusion and sustainable development more broadly.²³

While we cannot exhaust the elements that should be considered or taken forward within the NFS, we recommend building the strategy around elements captured within the following categories:

1. infrastructure,
2. regulation and governance, and
3. the ecosystem.

1.9 INFRASTRUCTURE

A. FOUNDATION: DIGITAL ACCESS

Aligned with one of the core dimensions of financial inclusion, the foundation of digitalization and any FinTech strategy must focus on access.

This is perhaps the single most important starting point: what percentage of the population has access to a mobile phone, to a smartphone, to the internet? Digital access has the greatest potential for empowerment, financial inclusion, and broad sustainable development.

If access is low, then this must be a central focus. Where access is higher, then this opens additional possibilities for digital financial transformation. In all cases, there will be issues with seeking to enable access over the last mile to the most disadvantaged in any society.²⁴ In addition to access, particularly for the last mile, it is also necessary to consider both digital literacy and financial literacy, as digital and financial inclusion increase.

B. ESTABLISHING INCLUSION: DIGITAL ID, SIMPLIFIED ACCOUNT OPENING, AND E-KYC

As captured in the AFI report on FinTech for Financial Inclusion, digital identity is essential for the development of a FinTech ecosystem.²⁵ Principally, policymakers must aim to ensure broad and easy access to accounts for as many people and entities as possible. This can be achieved by making the process both cheap and simple. In turn, such simplification should enable authorities to direct greater resources towards detecting high-risk actors and protecting market integrity.

Developing an appropriate system for this, however, can be challenging, particularly in developing and frontier economies where considerable parts of the population may not have formal identification documents. Notwithstanding such challenges, base digital ID needs to be extended as widely as possible to maximize efficiencies. This is critical because it is the means that allows actors to know exactly whom they are transacting with, and to also build and offer more sophisticated financial services from a range of actors and market participants.

23 Arner, D. W. Buckley, R. P. Zetsche, D.A. 2018. Fintech for Financial Inclusion: A Framework for Digital Financial Transformation. 4 September 2018. UNSW Law Research Paper No. 18-87, University of Hong Kong Faculty of Law Research Paper No. 2019/001, University of Luxembourg Law Working Paper No. 004-2019, Available at <http://dx.doi.org/10.2139/ssrn.3245287>. See also UN Secretary-General's Task Force on Digital Financing of the Sustainable Development Goals (United Nations. n.d. The Task Force on Digital Financing of the Sustainable Development Goals. New York. UN. Available at: <https://www.un.org/en/digital-financing-taskforce#:~:text=The%20Task%20Force%20was%20established,of%20the%20Sustainable%20Development%20Goals>) and Digital Financing Task Force. Available at: <https://digitalfinancingtaskforce.org/>; FinTech and Financial Inclusion (World Bank. Fintech and Financial Inclusion. Available online: <http://pubdocs.worldbank.org/en/877721478111918039/breakout-DigiFinance-McConaghy-FinTech.pdf>); and G20 report on Digital Financial Inclusion: Emerging Policy Approaches (Global Partnership for Financial Inclusion (GPII). 2017. G20 report on Digital Financial Inclusion: Emerging Policy Approaches. GPII. Available at: <https://www.gpii.org/publications/g20-report-digital-financial-inclusion-emerging-policy-approaches>)

24 The Development Operations Coordination Office (DOCO) of The United Nations Development Group (UNDG). 2017. Theory of Change UNDAF Companion Guidance. Washington DC. United Nations Sustainable Development Group (UNSDG). Available at: <https://unsdg.un.org/resources/theory-change-undaf-companion-guidance>

25 See Arner, D.W. Zetsche, D. A. Buckley, R. P. Barberis, J.N. 2018. The Identity Challenge in Finance: From Analogue Identity to Digitized Identification to Digital KYC Utilities. 25 September. European Business Organization Law Review, Forthcoming, UNSW Law Research Paper No. 18-45, European Banking Institute Working Paper Series 2018 No. 28, University of Luxembourg Law Working Paper No. 2018-008, University of Hong Kong Faculty of Law Research Paper No. 2019/029, Available at: <http://dx.doi.org/10.2139/ssrn.3224115>. Consider also developments arising from India's Aadhar System (Unique Identification Authority of India. No date. About Aadhaar: What is Aadhaar. Accessed 31 August 2023. Available at: <https://uidai.gov.in/en/my-aadhaar/about-your-aadhaar.html#:~:text=Aadhaar%20number%20is%20a%2012,enrol%20to%20obtain%20Aadhaar%20number>); the experiences of the UN and Jordan with developing a digital identity solution for refugees, IrisGuard (IrisGuard. No date. Accessed on 31 August 2023. Available at: <https://www.irisguard.com/>); and the EU's 2014 eIDAS Regulation was adopted to provide mutually recognized digital identity for cross-border interactions between European citizens, companies and government institutions (The European Parliament and the Council of the European Union. 2014. On electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC. Regulation (EU) No 910/2014. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0910>)

C. BUILDING CONNECTIVITY: OPEN, INTEROPERABLE ELECTRONIC PAYMENT SYSTEMS AND RAILS

Payment systems are the principal means and infrastructure that facilitate the flow of money through economies. Innovation in payment systems drives greater financial inclusion and development. Mobile money ecosystems present an opportunity for FinTech to further advance these aspects. The technology enables developing countries to leapfrog brick-and-mortar bank branches with a seamless digital financial system. This, in turn, enables unbanked and underbanked people and SMEs to have access to the accounts and services that they need to flourish.

Increasingly, the ability to make traditional and new forms of payments interoperable is pivotal to the appeal and success of such systems. Consequently, we find that governments increasingly mandate interoperability as a licensing condition for payments providers. In many cases, governments are even involved in the development of switches to provide the supporting infrastructure for such interoperability across different systems.

The combination of digital ID and eKYC with open electronic payments provides the fundamental infrastructure. The greatest digital transformation can be achieved by combining these aspects.

D. EXPANDING USAGE: ELECTRONIC GOVERNMENT PROVISION OF SERVICES

While some governments have begun to explore various ways of providing social and government related services electronically via inclusive digital public goods, the effect of such interventions if designed and delivered inclusively presents opportunities to further expedite financial and digital inclusion, and also catalyze the development of the ecosystem.

The provision of government services electronically (e.g. directing government salaries and social support payments electronically to formal store of value accounts or wallets) contributes to the necessary foundation for a thriving FinTech ecosystem. A good example of this is detailed in the IMF Working Paper entitled India's Approach to Open Banking: Some Implications for Financial Inclusion Stacking Up Financial Inclusion Gains in India.²⁶

Ultimately, these systems drive financial inclusion, digital empowerment, and collective growth of the innovative landscape as they present new efficiencies by driving formal onboarding of vulnerable and disproportionate population, reducing fiscal leakages

significantly, and contributing greatly towards achieving the UN SDGs.

E. DESIGN OF OTHER ECONOMIC AND SOCIAL INFRASTRUCTURE AND SYSTEMS - ENABLING INNOVATION ACROSS ACTIVITIES, BUSINESSES, AND WIDER SOCIETY

The foundations provided in points (a) - (d) above, combined with additional forms of innovation, digital public goods, and infrastructure, integrated financial and market systems etc. can support access for all segments of society including individuals (citizens), businesses, vulnerable and disproportionately excluded populations, and contribute to financial stability, and market integrity. Considering evidence from the experiences of Kenya, China, and India,²⁷ implementing digitized systems for securities trading, clearing, and settlement for instance, facilitated greater access to investment products and supported the financial sector development more broadly.

1.10 REGULATION AND GOVERNANCE: BUILDING BALANCED PROPORTIONAL RISK-BASED APPROACHES

As new innovations are introduced into the economy and its ecosystems, it is important for regulators and policymakers to develop methods for how best to approach those advances.

This entails a consideration of the risks and opportunities inherent to those innovations as well as the ways in which technology can be better deployed for overall system governance, particularly as it relates to digital finance and FinTech.

Regulators need to consider the role of digitalization and technology in their own operations: using RegTech and SupTech to enhance their own operations and effectiveness as well as to better oversee and regulate market participants. RegTech and SupTech can transform the ways in which regulatory supervisors receive mandatory reports and disclosures from

²⁶ Carriere-Swallow, Y. Haksar, V. Patnam, M. 2021. India's Approach to Open Banking: Some Implications for Financial Inclusion Stacking Up Financial Inclusion Gains in India. IMF Working Paper 2021/052. 2021. Washington DC. International Monetary Fund (IMF). Available at: <https://www.imf.org/en/Publications/WP/Issues/2021/02/26/Indias-Approach-to-Open-Banking-Some-Implications-for-Financial-Inclusion-50049>)

²⁷ See e.g. Pazarbasioglu, C. Mora, A. G. Uttamchandani, M. Natarajan, H. Feyen, E. Saal, M. 2020. Digital Financial Services. Washington DC. World Bank Group. Available at: <https://pubdocs.worldbank.org/en/230281588169110691/Digital-Financial-Services.pdf> and Organisation for Economic Co-operation and Development (OECD). 2018. Financial Markets, Insurance and Pensions: Digitalisation and Finance. Paris. OECD. Available at: <https://www.oecd.org/competition/financial-markets-insurance-and-pensions-2018.htm> .

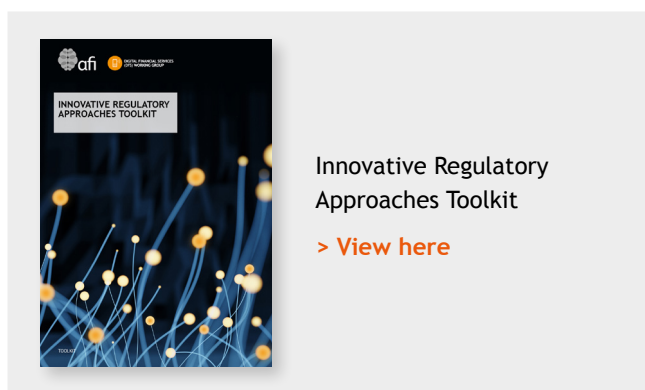
supervised firms, with the resultant digital collection process driving greater overall efficiencies. The European Union has several successful case studies of these technologies being applied by central banks and regulators, as do an increasing range of other jurisdictions around the world.²⁸

The second aspect is the approach to technology and innovation. Emerging best practice highlights the importance of a balanced, proportional, and graduated approach, both for activities and institutions, with entity-based supervision becoming more important as the size, complexity, and interconnectedness of firms evolves.

The third aspect focuses on the role of experiential learning in the context of “test and learn” approaches.

One recent development with the potential to assist digital financial transformation is regulatory sandboxes.²⁹ The sandbox creates an environment for businesses to test products without having to meet the full range of regulation. In return, regulators require appropriate safeguards. The main advantages of sandboxes extend beyond the regulator’s exemption. A sandbox sends a market message that the regulator is open to innovation and provides learning opportunities for regulators.

It should be noted, however, there are several innovative regulatory approaches³⁰ that financial regulators can explore. While these approaches offer different regulatory and supervisory opportunities and options, a primary imperative financial regulators should consider in the choices they make is one (or more) approaches that complement one another but also offer a platform for actors within the FinTech ecosystem to engage with the regulator or supervisor, ask questions and seek clarifications or non-binding guidance about FinTech-related issues in the context of compliance with the regulatory framework, licensing or registration requirements, and regulatory and supervisory expectations.



1.11 THE WIDER ECOSYSTEM

To have a thriving FinTech ecosystem, its participants need to have the requisite skills, experience, capability, and capacity to innovate, operate, and regulate intentional innovation, new financial services and products and the necessary integrated financial system and market infrastructure.

However, given the number of different social, digital, and economic barriers, these might be lacking in many countries.

Therefore, with the idea of developing a context and market-centric NFS, financial authorities leading such a project must be mindful of the underlining realities of any FinTech or DFS ecosystem. These comprise the following:

1. Technologies employed are rapidly evolving.
2. The capacity and capability of market segments to engage, adopt, or use technology or innovation varies across a wide spectrum for consumers, MSMEs, industry, regulators, and infrastructure providers.

As such, all countries, but particularly developing countries, will need to invest in appropriate mechanisms to foster the appropriate talent, skills and capacity of all participants within the ecosystem. Specific interventions such as accelerators, innovation hubs, training programs, conferences, and exchanges executed collaboratively between regulators, ecosystem actors, industry and other key stakeholders should increasingly become the norm as each jurisdiction takes forward building an enabling environment for innovation.

The focus of such engagements such center around:

- > Active and organized engagements and outreach: this will focus on information sharing, communication a broader vision, and developments and potential support for domestic startups and innovators across sectors.

28 See Buckley, R. Arner, D. Zetzsche, D. Weber, R. 2020. The Road to RegTech: the (astonishing) example of the European Union. Journal of Banking Regulation. 21. (3) Available at: <http://doi.10.1057/s41261-019-00104-1> and European Banking Authority (EBA). 2021. EBA Analysis of Regtech in the EU Financial Sector. EBA Working Paper EBA/REP/2021/17. Paris. European Banking Authority (EBA). Available at: https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/1015484/EBA%20analysis%20of%20RegTech%20in%20the%20EU%20financial%20sector.pdf

29 Digital Financial Services Working Group (DFSWG). 2021. Innovative Regulatory Approaches Toolkit. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/innovative-regulatory-approaches-toolkit/>

30 Digital Financial Services Working Group (DFSWG). 2021. Innovative Regulatory Approaches Toolkit. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/innovative-regulatory-approaches-toolkit/>

- > Research and development support: this will focus on data collection and analysis, insight generation and data-driven decision-making.
- > Financial rails and pathways: this will focus on access to finance, particularly for startups and scale-ups. This should include seed capital from domestic and foreign investments.

Establishing a national FinTech association can be a smart way to organize, democratize, and coordinate these initiatives across the national FinTech ecosystem. Indeed, such industry bodies can be an ideal medium through which various ecosystem actors converge, network, coordinate, collaborate, and, where necessary, speak with one unified voice e.g. for relevant regulatory and policy reforms.

Beyond this, there are a few other facets national authorities will do well to consider in developing their wider ecosystem.

A. INTEGRATING GENDER-TRANSFORMATIVE AND SOCIALLY RESPONSIBLE INNOVATION APPROACHES

Across AFI member countries making up the developing and emerging market economies, financial and digital inclusion, and more broadly, economic growth, have been attributed to the availability, access, usage and increasingly quality of consumer-centric DFS and FinTech innovation. However, the benefits are not always equally distributed across societies and segments.

A report by BIS³¹ found that across 28 advanced and emerging economies, women's usage of DFS and other financial products and services designed and distributed by FinTechs is approximately eight percentage points less than the usage recorded by men.³²

While many of the challenges driving or contributing to this usage and uptake deficit are fundamental and relate to foundational issues such as access to, ownership of, and use of mobile phones and connectivity via the internet to the digital world.

Furthermore, the GSMA Connected Women: The Mobile Gender Gap Report shows that across low- and middle-income countries (LMIC), women are still lagging behind men across various metrics including mobile phone ownership by eight percent and access and use of the internet by 20 percent, which translates to approximately 300 million women lacking access to these digital tools compared to men.³³

Collectively, evidence demonstrates how challenging it can be for policymakers intervening in this space, as the issues may not always relate strictly to the regulation of financial (technology) services, but tackling the myriad

of other issues adversely contributing to the lack of customer-centric and gender transformative design, distribution and provision of DFS and FinTech related products to women, youth, the elderly, FDPs, and other disadvantaged groups.

RECOMMENDATIONS

It is recommended that the NFS should consider and intentionally integrate gender-transformative considerations and interventions across all substantive elements making up the NFS pillars and stages of implementation. Specific recommendations to achieve a gender transformative NFS include the following:³⁴

- > To actively collect sex disaggregated data, and diagnose supply and demand-side market situation to understand and generate insights on women's financial and digital gaps, emerging needs and barriers to financial and digital inclusion (e.g. ownership and usage of a bank account or wallet and mobile phone ownership), and design targeted interventions to address these barriers.
- > To consider the effect of social norms on women in the design, delivery and distribution of digital and financial products, services, and implementation of policies.
- > To commit to improving the quality and availability of gender-disaggregated data to measure change and impact, set targets, create inclusive strategies, and track progress.³⁵
- > To ensure considerations of women and gender equality are integrated into strategies and plans, including setting specific gender-equity targets for reaching women and tracking their progress.
- > To consult and involve women across the spectrum of consultations in product, service and policy design and implementation, including testing and piloting with women, and proactively tailoring marketing and distribution approaches to women.

31 Chen, S. Doerr, S. Frost, J. Gambacorta, L. Shin, H.S. 2021. The Fintech Gender Gap. BIS Working Paper No. 931. Basel. Bank of International Settlements. Available at: <https://www.bis.org/publ/work931.htm>

32 Chen, S. Doerr, S. Frost, J. Gambacorta, L. Shin, H.S. 2021. The Fintech Gender Gap. BIS Working Paper No. 931. Basel. Bank of International Settlements. Available at: <https://www.bis.org/publ/work931.htm>

33 Global System for Mobile Communications (GSMA). 2020. Connected Women: The Mobile Gender Gap Report 2020. London. GSMA. Available at: <https://www.gsma.com/r/gender-gap-2020/>

34 Toronto Centre. 2018. Advancing Women's Digital Financial Inclusion. TC Notes. January. Toronto. Toronto Centre. Available at: https://www.torontocentre.org//videos/Advancing_Womens_Digital_Financial_Inclusion_Updated_Links.pdf

35 See also Guideline Note on Sex Disaggregated Data Toolkit (Alliance for Financial Inclusion (AFI)). 2017. Guideline Note on Sex Disaggregated Data Toolkit. Guideline Note 26. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/guideline-note-26-sex-disaggregated-data-toolkit/> .

B. FOSTERING A CULTURE OF LEADERSHIP FOR CENTRAL BANKS AND FINANCIAL REGULATORS

As stated earlier in this framework, the designation of Lead Stakeholder is a determination for each government to make considering their constitution, mode of operation, and general circumstances. Given the pivotal role that central banks and ministries of finance play in the oversight of financial markets and systems, these institutions will likely need to play a leading role in developing and realizing national FinTech strategies. This will entail several sub-components, such as:

- > ensuring foundational financial regulatory objectives such as financial stability, market efficiency and development, financial integrity, and consumer and investor protection.
- > coordinating collaboration among different regulatory authorities within a particular jurisdiction all of which have a role to play in the regulation of financial markets e.g. competition, finance, and telecommunications supervisors.

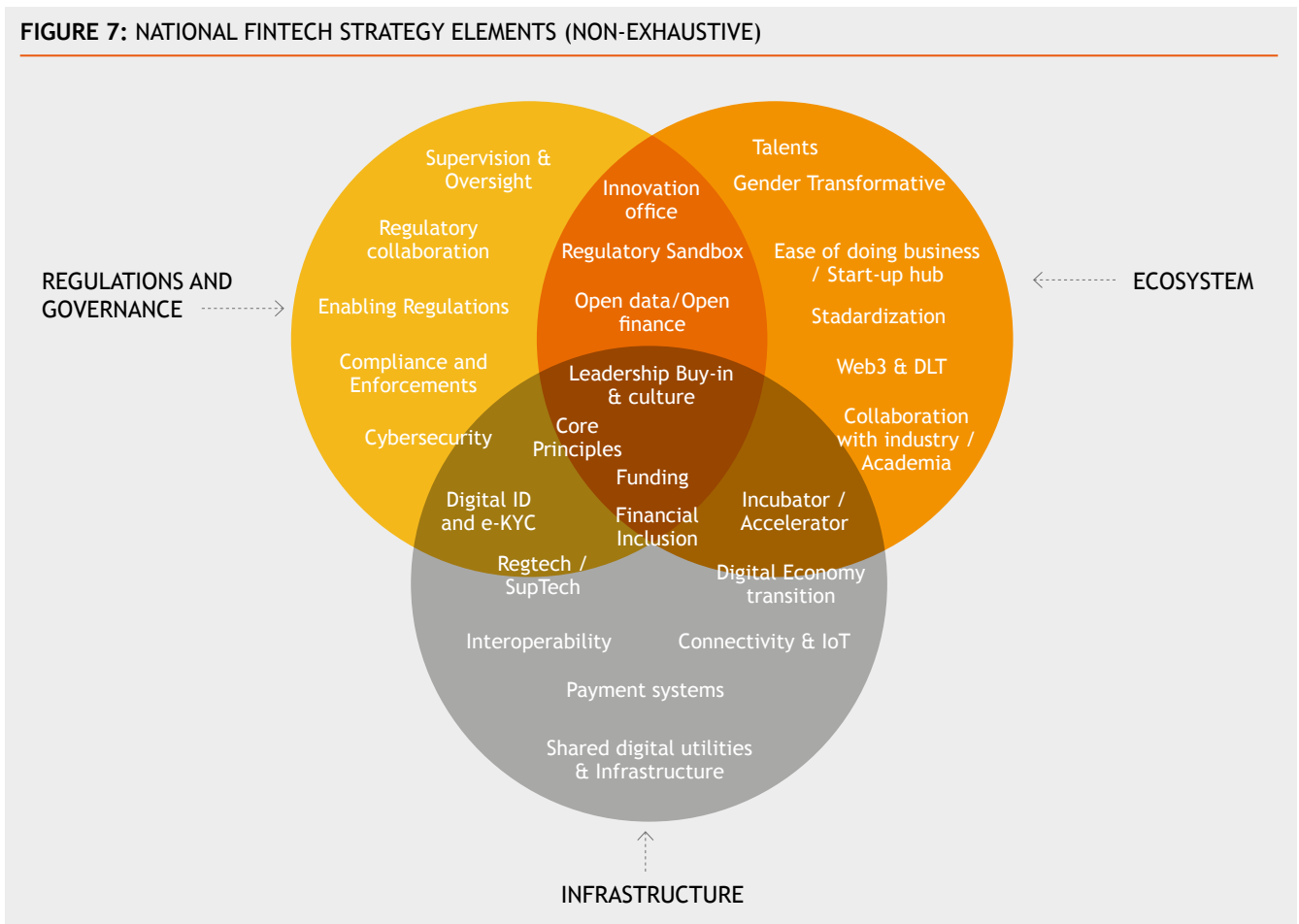
- > building a system for execution and learning, which involves ensuring:
 - the collection of measurable data
 - appropriate accountability and incentivization plans for managers
 - effective monitoring and evaluation (M&E) to ensure adequate agility

1.12 SUMMARY

While we present a few examples and components to be considered under the three main elements for an NFS to support and contribute to financial inclusion, digital finance and economy, and the SDGs, it should be noted that these are non-exhaustive.

Each jurisdiction - in collaboration and through actively engaging ecosystem actors - can determine and include components under these broad elements, suited to the needs of the market, aligned with its vision, and practical for the ecosystem.

FIGURE 7: NATIONAL FINTECH STRATEGY ELEMENTS (NON-EXHAUSTIVE)



4. STRATEGY IMPLEMENTATION



Once the objectives have been set, policymakers should begin to determine how they will seek to implement and realize those objectives.

Items within the Action Plan (“Actions”) should be conceptualized as “SMART” goals. SMART goals are:

- > **Specific** - must target a specific area for improvement.
- > **Measurable** - must be possible to quantify or at least specify indicators of progress.
- > **Assignable** - must specify who will do it.
- > **Realistic** - should state the results realistically achievable, given available resources.
- > **Time-related** - goals must specify when the result(s) can be achieved.

The realization of these SMART actions will require planning around four elements, namely:

1. governance arrangements;
2. work allocation;
3. budgeting, and
4. risk management.

Developing actions should involve appropriate stakeholder engagement to ensure that relevant perspectives are incorporated and there is adequate buy-in for the steps that need to be taken to realize the NFS.

Prior to developing these more technical aspects, however, policymakers may find some utility in producing a Theory of Change. A Theory of Change is a method that explains how a given intervention, or set of interventions, are expected to lead to a specific development change, drawing on a causal analysis based on available evidence.³⁶ It is a description of why a particular way of working will be effective, showing how change happens in the short, medium, and long terms to achieve the intended impact.³⁷ It can be represented in a visual diagram, as a narrative, or both. An example from a report by FSD Africa on a possible Theory of Change for the Zimbabwe FinTech Ecosystem is provided in Figure Three below.

A Theory of Change can be helpful for:³⁸

- > unifying stakeholders around a high-level representation of the change that is sought and the strategy towards achieving it
- > mapping the connections between partners and partnerships
- > communicating with relevant stakeholders
- > developing an M&E framework

More specifically, following the recommendations from a Theory of Change publication,³⁹ a good Theory of Change can help to create a more concrete Action Plan, as it provides the preliminary outline of:

- (i) the activities required under the NFS strategy; these are aligned to the vision, objectives, and context of the jurisdiction
- (ii) the outputs expected for each identified and articulated activity
- (iii) the tentative timelines for the delivery of each activity and associated output
- (iv) the collective resources, including financial and human, needed for delivery of each activity and related output
- (v) the party directly responsible and stakeholders contributing to the delivery of each activity and related output
- (vi) anticipated outcomes from the execution of the NFS activities and delivery or output, measured by clear key performance indicators (KPIs) captured within an M&E framework.

36 The Development Operations Coordination Office (DOCO) of The United Nations Development Group (UNDG). 2017. Theory of Change UNDAF Companion Guidance. Washington DC. United Nations Sustainable Development Group (UNSDG). Available at: <https://unsdg.un.org/resources/theory-change-undaf-companion-guidance>

37 The National Council for Voluntary Organisations. 2020. How to Build a Theory of Change (2020). Accessed 30 August 2023. Available at: <https://www.ncvo.org.uk/help-and-guidance/strategy-and-impact/impact-evaluation/planning-your-impact-and-evaluation/identify-the-difference-you-want-to-make/how-to-build-a-theory-of-change/#/>

38 For more guidance on how to develop a Theory of Change, some resources have been provided in the Reference section at the end of this document.

39 The Development Operations Coordination Office (DOCO) of The United Nations Development Group (UNDG). 2017. Theory of Change UNDAF Companion Guidance. Washington DC. United Nations Sustainable Development Group (UNSDG). Available at: <https://unsdg.un.org/resources/theory-change-undaf-companion-guidance>

FIGURE 8: THEORY OF CHANGE FOR THE ZIMBABWE FINTECH (SOURCED FROM FSD AFRICA.⁴⁰)

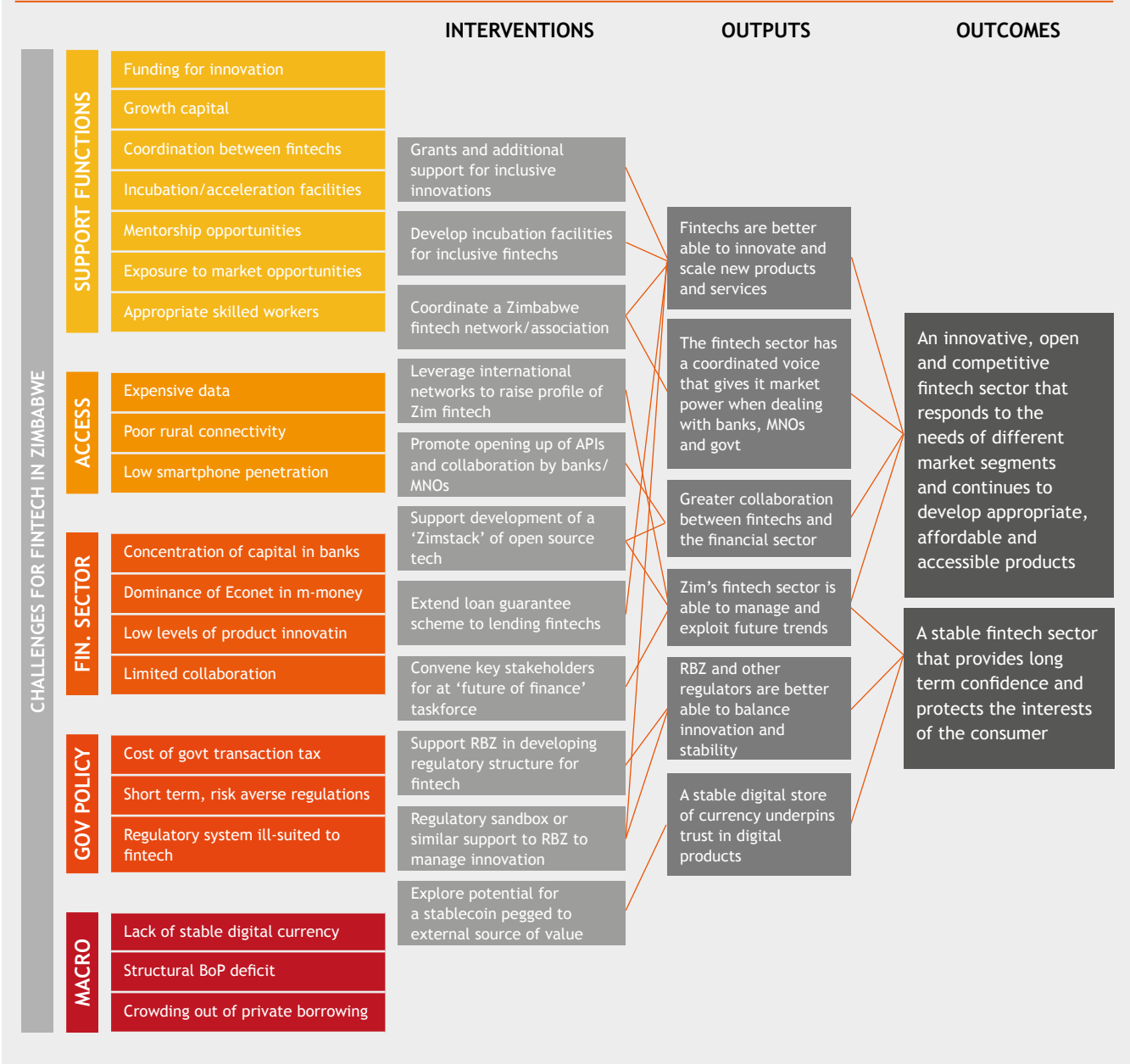


FIGURE 9: WORK ALLOCATION FOR THE DEVELOPMENT OF AN NFS



40 FSD Africa. 2020. Zimbabwe FinTech Ecosystem Study. 30 March. Nairobi. FSD Africa. Available at: <https://fsdafrika.org/publication/zimbabwe-fintech-ecosystem-study/>

1.13 GOVERNANCE ARRANGEMENTS

The governance arrangements of the Action Plan speak to the relevant configurations for the execution of the NFS.

With the Lead Stakeholder serving as the anchor of this configuration, the next stages will be to determine who needs to participate in each objective and what their role will be. Given the range of subject areas that will be involved, we anticipate that there may be several working groups for areas such as data privacy and protection; cybersecurity; consumer protection; financial stability; market integrity; green or sustainable finance; gender; and vulnerable populations, such as youth, the elderly, and displaced persons. Governance units that authorities may consider include:⁴¹

- > **NFS Council** (senior political and technocratic representatives)
 - Provides high-level guidance and direction for NFS. Akin to a Board of Directors or Trustees.
- > **NFS Implementation Committee** (agency heads, directors, and managers)
 - Oversees day-to-day implementation, meeting at appropriate intervals e.g. bi-weekly, or monthly.
 - Akin to the C-suite in a business organization.
- > **NFS Secretariat**
 - Provides administration for coordination and more bureaucratic functions across the NFS strategy.
 - Typically housed within the Lead Stakeholder, or separately established.
 - Should have staff to ensure:
 - executive/management functions
 - research & technical expertise
 - M&E
 - communication
- > **Working groups** (agency reps and technical specialists from public, private, civil society, and academia)
 - Countries should determine if the working groups are for consultation and coordination, or more implementation roles.
 - Working groups would be more efficient if they focus more on consultation and coordination, rather than implementation as too large a load can lead to bottlenecks in implementation.
 - Implementation for specific actions should be performed by specific actors who will be accountable for execution.

In designing the governance units, authorities should also consider the communication protocols and formats that will be instituted within and among the units. Having a communication strategy ensures that all stakeholders and the public, when necessary, are continually informed of relevant progress and developments.

1.14 WORK ALLOCATION

Once governance configurations are determined, work will need to be allocated to relevant groups. There are several project management tools that policymakers can choose to deploy with no single tool or method being better than another.

A typical approach policymakers can adopt is one used during the development of similar strategies with a national scope, to be delivered in coordination with multiple stakeholders with the following key guidance.

A good example is the Stakeholder Roles and Responsibilities Matrix adopted for the implementation of the Central Bank of Nigeria National FinTech Strategy.

1.15 BUDGETING

Authorities will need to allocate sufficient resources to each of the relevant implementing stakeholders to realize the NFS.

This process can be conducted in accordance with established national practices within a specific regulatory body.⁴³

41 See also The World Bank, Developing and Operationalizing a National Financial Inclusion Strategy (World Bank. 2018. Developing and Operationalizing a National Financial Inclusion Strategy. Washington DC. World Bank. Available at: <https://doi.org/10.1596/29953>)

42 This can be found on Page 69 Nigeria's National FinTech Strategy (National Financial Inclusion Steering Committee. 2022. Nigeria's National FinTech Strategy 2023. Central Bank of Nigeria. Available at: <https://www.afi-global.org/publications/nigerias-national-fintech-strategy-2023>)

43 See e.g. Organisation for Economic Co-operation and Development (OECD). 2015. Principles of Budgetary Governance. Paris. OECD. Available at: <https://www.oecd.org/gov/budgeting/principles-budgetary-governance.htm>

As authorities consider budgeting, they may concomitantly consider the financing options available to realize the NFS. Bearing in mind that there is a broad gamut of stakeholders involved, there are a range of funding sources. These can include:

- > funds allocated from the national legislature or executive specifically for the NFS as a whole
- > self-financing from individual ministries and private-sector actors
- > grants, loans, and other capital injections from international organizations

1.16 RISK MANAGEMENT

Project implementation always entails some combination of risks, challenges, and other impediments that may hamper the effective realization of goals.

Early and effective risk identification and management secures the achievement of project objectives, leading to reduced rework costs.⁴⁴ Given the range of stakeholders and elements that are engaged in the realization of an NFS, it is important to consider the challenges that may arise at various stages of conceptualization and implementation.

A good starting point could be to use the Action Plan, once devised, and then consider the risks that can arise in achieving each of the various parts. As with most risk management systems, a risk management table or framework can be of use, classifying each identified risk's probability of occurring, its potential impact, and the measures put in place to avoid, mitigate, transfer, or accept the risk.

Please see Appendix 5 for a risk management template that can be considered during the development of the NFS.

MONITORING AND EVALUATION (M&E)

Similar to the M&E of an NFIS, M&E is a critical part of the NFS project development, implementation, revision, and performance assessment, as it enables stakeholders to keep track of how they are progressing towards their objectives and to make changes in a real-time, iterative fashion if necessary.

By way of example, drawing from the approach adopted by AFI member countries in their respective NFIS,⁴⁵ a typical NFS M&E framework can have five key components, as listed below.

1. **NFS Performance Monitoring Plan:** prepare the NFS performance monitoring plan, with a clear data collection and analysis mechanism that provides relevant, reliable, unbiased and comprehensive data on customer segments, sectors, policy objectives, infrastructure, enabling environment and program level indicators from both the demand and supply sides, including a clear reporting schedule, the scope of reporting, accountable entities, and clear timelines consistent with the NFS Implementation plan.
2. **NFS Evaluation Plan:** outline an evaluation plan which doubles as the national (NFS) results framework and that clearly establishes measurable key performance indicators (KPIs), the associated targets and goals, that are aligned with the overarching policy objectives of the NFS.
3. **Effective NFS Action and Situation Tracking & Reporting System:** establish a robust and collaborative tracking mechanism, that identifies data for all indicators, analyzes and develops insights, and actively contributes or supports data-driven monitoring, evaluation and decision on all components of the NFS implementation.

⁴⁴ Becker, G. M. 2004. A practical risk management approach. Paper presented at PMI Global Congress 2004 (Anaheim, California). Pennsylvania. Project Management Institute. Available at: <https://www.pmi.org/learning/library/practical-risk-management-approach-8248>. See also more generally Project Management Institute. 2021. Risk Management. PMBOK Guide: 7th Edition. Pennsylvania. Project Management Institute. Available at: <https://www.pmi.org/pmbok-guide-standards/foundational/pmbok>

⁴⁵ Alliance for Financial Inclusion (AFI). 2020. Policy Model for National Financial Inclusion Strategy. September. Kuala Lumpur. Alliance for Financial Inclusion. Available at: <https://www.afi-global.org/publications/policy-model-for-national-financial-inclusion-strategy/>

4. **M&E Unit:** proactively identify and set up a dedicated M&E unit comprising talents with the right technical capability and capacity to lead and be responsible for the implementation of the NFS performance monitoring plan.
5. **NFS M&E Framework Checks and Balances:** ensure that necessary checks and balances are in place to avoid or minimize self-monitoring and self-evaluation by key actors leading the implementation of component(s) of the NFS.



Much of the preliminary work should already have been done as data can be drawn from the baseline assessment and objectives setting stages.

For further guidance on the development of an effective M&E plan, readers can refer to AFI's National Financial Inclusion Strategy Monitoring and Evaluation Toolkit.⁴⁶



CONCLUSION

Developing and implementing an NFS is a significant undertaking for policymakers and regulators. It will require significant stakeholder engagement, coordination, and collaboration across a multitude of fields and sectors.

In this outline we provide an approximate rubric through which this may be achieved, while recognizing that different countries will be starting at different points and seeking to achieve different objectives and visions.

⁴⁶ Alliance for Financial Inclusion (AFI). 2021. National Financial Inclusion Strategy Monitoring and Evaluation Toolkit. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/national-financial-inclusion-strategy-monitoring-and-evaluation-toolkit/>

GLOSSARY

This glossary defines the terms used in this report. Where available, definitions are aligned with definitions adopted from previous knowledge products and publications of the Alliance for Financial Inclusion (AFI), the Financial Stability Board (FSB), World Bank, IFC, Bank of International Settlement (BIS), IOSCO, and FATF.

AFI	Alliance for Financial Inclusion	CBN	Central Bank of Nigeria
Algorithm	A set of computational rules to be followed to solve a mathematical problem. More recently, the term has been adopted to refer to a process to be followed, often by a computer.	CBS	Central Bank of Seychelles
AMIR	Association of Microfinance Institutions	CEMC WG	Consumer Empowerment and Market Conduct Working Group
AML	Anti-Money Laundering	CFT	Combating the Financing of Terrorism
AI	Artificial intelligence: the theory and development of computer systems able to perform tasks that traditionally have required human intelligence.	CMA	Capital Markets Authority
API	Application programming interface: a set of rules and specifications followed by software programs to communicate with each other, and an interface between different software programs that facilitates their interaction.	Cloud computing	An innovation in computing that allows for the use of an online network ('cloud') of hosting processors to increase the scale and flexibility of computing capacity
ASSAR	Rwanda Insurance Association	Crowdfunding	An innovative way of raising money that bypasses traditional routes such as banks or venture capital funds and that consists in leveraging from an online community to advertise and ask its members to each make small financial contributions to help the financing of a given project.
Baseline Assessment	A baseline assessment provides information on the situation that the initiative aims to change. It provides a critical reference point for assessing changes and impact, as it establishes a basis for comparing the situation before and after an intervention, and for making inferences as to the effectiveness of the campaign.	Cybersecurity	The technologies, programs, processes, and best practices to shield a computer or internet system from breaches and intrusions.
BCG	Boston Consulting Group	DFS	Digital Financial Services
Big data	A generic term that designates the massive volume of data that is generated by the increasing use of digital tools and information systems.	DFSWG	Digital Financial Services Working Group
BIS	Bank of International Settlements	Digital ID	Digital Identification
BNR	Banque Nationale du Rwanda / National Bank of Rwanda	Digitalization	The use of digital technologies to change a business model, or the process of moving to a digital business.
CBE	Central Bank of Egypt	Digitization	The process of transforming analogue to digital form.
		DLT	Distributed ledger technology: A means of recording information through a distributed ledger, i.e., a repeated digital copy of data at multiple locations. These technologies enable nodes in a network to securely propose, validate, and record a full history, state changes (or updates) to a synchronized ledger that is distributed across the network's nodes.
		DTG	Digital Transformation Group
		DTS	Digital Transformation Strategy
		EBA	European Banking Authority
		e-KYC	Electronic Know-Your-Customer
		FDPs	Forcibly Displaced Persons

FinTech	Technology-enabled innovation in financial services that could result in new business models, applications, processes, or products with an associated material effect on the provision of financial services.	OECD	Organisation for Economic Co-operation and Development
FISPLG	Financial Inclusion Strategy Peer Learning Group	PMI	Project Management Institute
FSB	The Financial Stability Board	QCB	Qatar Central Bank
FSD Africa	Financial Sector Deepening Africa	RegTech	Any range of applications of FinTech for regulatory and compliance requirements and reporting by regulated institutions.
GPMI	Global Partnership for Financial Inclusion	Regulatory sandbox	Controlled testing environment, sometimes featuring regulatory forbearance and alleviation through the use of legally provided discretions by the supervisory agency. The testing environment may involve limits or parameters within which the firms must operate e.g., restriction on the time a firm may operate in the sandbox.
GSMA	Global System for Mobile Communications	RBA	Rwanda Bankers Association
Innovation Hub	Innovation facilitator set up by supervisory agencies that provide support, advice, or guidance to regulated or unregulated institutions in navigating the regulatory framework or identifying supervisory, policy, or legal issues and concerns.	RFL	Rwanda Finance Limited
IFC	International Finance Corporation	RURA	Rwanda Utilities Regulatory Authority
IGF WG	Inclusive Green Finance Working Group	SFS	Seychelles FinTech Strategy
IMF	International Monetary Fund	SMEs	Small and Midsize Enterprises
Interoperability	A characteristic of a product or system whose interfaces are completely understood to work with other products or systems, at present or in the future, in either implementation or access without any restrictions.	Stakeholder	An individual, group, or organisation with an interest or concern in something.
KPIs	Key Performance Indicators	SupTech	Any application of FinTech used by regulatory, supervisory, and oversight authorities.
LMIC	Low- and Middle-Income Countries	Theory of Change	A method that explains how a given intervention, or set of interventions, are expected to lead to a specific development change, drawing on a causal analysis based on available evidence.
Machine learning	A method of designing a sequence of actions to solve a problem that optimizes automatically through experience and with limited or no human intervention.	ToR	Terms of Reference
MDA	Ministries, Departments and Agencies	UN SDGs	United Nations Sustainable Development Goals
MINECOFIN	Ministry of Finance and Economic Planning	UNSDG	United Nations Sustainable Development Group
MINICT	Ministry of ICT and Innovation	UNDAF	United Nations Development Assistance Framework
MSMEs	Micro-, Small-, and Medium-Sized Enterprises	UNDG	United Nations Development Group
M&E	Monitoring and Evaluation	UNDP	United Nations Development Programme
NFIS	National Financial Inclusion Strategy		
NFS	National FinTech Strategy		

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ANNEX 1: IDENTIFYING STAKEHOLDERS

STAKEHOLDER GROUP	CONSIDERATIONS
LEAD (“CHAMPION”)	<ul style="list-style-type: none"> > Which actor(s), office or ministry should have the responsibility of overseeing the overall NFS development and realization? > Do they have the necessary legitimacy and authority to assume this role? > Will they require any further legislative or regulatory powers or competencies in order to perform this role?
COORDINATING	<ul style="list-style-type: none"> > Which actors should be involved with devising and producing the NFS? > Do they have the relevant skills, experience, and subject matter expertise? <ul style="list-style-type: none"> - These are more likely to be technical professionals than managers or political appointees. - Relevant subject matter to consider include banking and payments; cybersecurity; law; M&E statisticians,, etc. > Are they selected from relevant sectors (e.g. government, academia, private sector, civil society)? > Authorities should consider having a roster of potential actors to populate the eventual coordinating committee. In the event that one actor is unable to participate, the authorities can turn to the roster of relevant coordinating stakeholders. > The proposed committee should have 8-10 individuals to optimize coordinating efficiency.
IMPLEMENTATION	<ul style="list-style-type: none"> > Which actors are anticipated to play a role in implementing the NFS? > It is likely that there will be a long list of stakeholders at this preliminary stage. However, the list will become much more specific as the Action Plan is devised at a later stage of the NFS development. This is discussed in greater detail in Section 3.4 of this document.
CONSULTATION	<ul style="list-style-type: none"> > Who would be impacted (positively or negatively) by the development and implementation of the NFS? > Consider actors from: <ul style="list-style-type: none"> - varying geographies e.g. locally, nationally, regionally, internationally - varying sectors e.g. government, private sector, academia, civil society, general population > What are the most effective ways to engage with these stakeholders?

The table below presents some potential actors that may constitute the stakeholder category groups that may populate the FinTech ecosystem.⁴⁷ While these stakeholders may have different motivations, they are often interdependent and interconnected.

STAKEHOLDERS	DEFINITION
FINTECHS	Organizations (startups, scale-ups, and mature companies) combining innovative business models and technology to enable, enhance, and disrupt financial services
CAPITAL PROVIDERS	Person or company providing early stage or later stage funding to the company e.g., angel investors, venture capitalists, private equity investors, corporate venture capitalists, etc.
FINANCIAL INSTITUTIONS	Banks, wealth and asset managers, and insurance companies offering financial services to customers
GOVERNMENT	Regulatory bodies managing and governing from a local, state, federal, and global perspective, including policymakers that have jurisdiction over the financial services sector
ACADEMIC INSTITUTIONS	Institutions dedicated to education and research
INCUBATORS/ACCELERATORS	Collaborative programs, inclusive of innovation labs and trade associations, offering access to capital, mentorship and other legal organizational support to early-stage companies.
CONSULTANTS	External actors that can provide some form of technical expertise e.g. law firms, accounting firms, strategy consultants, etc.

47 Ernst & Young. 2020. Massachusetts FinTech Ecosystem Assessment: Now, Next and Beyond: Analysis of the FinTech Ecosystem in the Commonwealth of Massachusetts. October 2020. Ernst & Young. Available at: <https://fintechsandbox.org/massachusetts-fintech-ecosystem-assessment>

In considering which group of stakeholders may be impacted or wish to participate in the development and eventual implementation of the NFS, the table below presents various elements that contribute towards the development of a healthy FinTech ecosystem. Stakeholders may contribute to one or more element.

ELEMENTS	DEFINITION
TALENT AND CULTURE	The availability of technical, financial services and entrepreneurial talent. The ability to attract, develop and retain talent, including mature talent and workforce, through education, training, and organizational development.
CAPITAL	The availability of financial resources for startups from seed round through maturity.
POLICY AND REGULATION	Government policy across regulations, tax, and sector growth initiatives including support for new entrants, innovative business models, and increased competition.
INFRASTRUCTURE AND TECHNOLOGY	The maturity and development of new technologies, and the supporting infrastructure within the state for the academic, entrepreneurial, and incumbent communities and stakeholders.

ANNEX 2: WORKING GROUP AND GOVERNANCE UNIT FORMATION

When forming working groups or various governance units, authorities should consider the manner in which they will staff the working groups and develop their terms of reference (TOR). In developing the terms of reference, authorities should consider:

- (i) the objectives of the working group,
- (ii) the functions of the working group,
- (iii) the members/staff and procedures of the working group,
- (iv) the available resources/budget of the working group (as appropriate), and
- (v) the work program of the working group.

A sample TOR is provided below.⁴⁸

SAMPLE A: TERMS OF REFERENCE FOR DIGITAL TRANSFORMATION GROUP (DTG) (SEYCHELLES)

PURPOSE

The DTG is designed to provide strategic direction and spearhead implementation of the Digital Transformation Strategy (DTS). The DTG is not a policymaking body and will gain input from the relevant government departments when required. It will be the primary forum responsible for the timely implementation of the DTS in accordance with the agreed roadmap and prioritization.

Strong governance will support the close cooperation of all stakeholders. This present document outlines the high-level terms of reference of this expert group and criteria for selection.

ROLE

The DTG comprises internal and external experts from both the public and private sectors to:

- > oversee implementation of the DTS, ensuring the necessary commitment, engagement, and collaboration of stakeholders
- > provide leadership, mentorship, and support to stakeholders in understanding and implementing the DTS
- > approve a program of initiatives within the private sector on a yearly basis that supports the delivery of the strategy
- > work in close communication with the National

Payments Council to ensure synergies and reduce duplication of effort

- > provide direction on major infrastructure investment and involvement in relation to FinTech
- > monitor against metrics and recalibrate the DTS as necessary
- > develop a framework and tools to measure the benefits gained from the digital experience and make the results accessible to all
- > identify risks and develop an actionable mitigation plan that is regularly reviewed to mitigate those risks
- > contribute to ensuring that the government is kept informed of major developments in the digital space, including on the implications of the latest developments
- > enable exchange and coordination with stakeholders, including opening channels of dialogue between the private sector, other public sectors players and the international community within the relevant digital sectors
- > conduct research and review of key enabling technologies such as artificial intelligence, machine learning, and big data analytics
- > act as an advocate for this work on FinTech, and market and promote the DTS and associated actions and initiatives

MEMBERSHIP

- > The DTG is chaired by the Vice President.
- > The deputy chair is the Minister of Finance.
- > The chair and the deputy chair shall together appoint the membership, determine the quorum, and appoint the Secretariat for the DTG.
- > The chair will serve a term of two years, which may be renewed at the discretion of the members.
- > All government entities will hold permanent positions while private-sector membership will be on a rotational basis and selected to provide a mix of expertise of both technology and the key outcomes envisaged.
- > Representatives from the private sector, academia and external experts will be invited on an ad hoc basis to support thinking and development in areas of interest.

⁴⁸ This sample TOR is drawn and adapted from the Seychelles' National FinTech Strategy.

MEETINGS

- > DTG will meet in person or remotely at least once a month to measure progress against the roadmap and the agreed key performance indicators.
- > In addition to topics suggested by the members, the key risks and corresponding mitigating actions will also be reviewed.

**SAMPLE B: WORKING GROUP TERMS OF REFERENCE
(RWANDA)**

ELEMENTS	DEFINITION
VISION	The vision is for each working group to collaborate on creating an enabling environment for FinTech in which paytech and credit, alternative finance, wealthtech and insurtech, and RegTech and SupTech can thrive, respectively.
ROLE	The working groups will be the implementation arms of the strategy.
RESOURCES	<ul style="list-style-type: none"> > Use the secretariat or implementation coordinator for administrative and coordination support > Leverage ecosystem enablers. These include (but are not limited to) FinTechub, KIC, KLAB, ICT Chamber, Rswitch, RDB, RISA, Fablab, Impact Hub, 250 Startup and Africa50. > Coordinate with key development partners around initiatives and associated funding to support working group objectives. These include (but are not limited to): GIZ, KOICA, JICA and the UNCDF.
RESPONSIBILITIES	<ul style="list-style-type: none"> > Build expertise and credibility on technology in question. > Advise local regulators on the key risks within each sub-sector and global regulatory good practice. > Advise on necessary regulatory or ecosystem reforms. > Promote Rwanda as a testing ground for FinTechs, particularly within each priority sub-sector: <ul style="list-style-type: none"> - identify and encourage potential FinTech entrants - assign a relevant working group member or entity to ensure that ecosystem facilitators are present, available and equipped to accompany FinTechs through the regulatory, licensing and compliance journey, working with the relevant institutions along the way to ensure that the process is clear, smooth, quick and proactively communicated to the FinTechs

RESPONSIBILITIES
continued

- coordinate with other FinTech working groups such as the Global Financial Innovation Network (GFIN)
- > Work in alignment with existing policies and strategies.

DELIVERABLES
(INCLUDE BUT ARE NOT LIMITED TO)

- > Update website with sector-relevant materials.
- > Work with the regulator to issue sector-specific position papers.
- > Publish guidance papers and frequently asked questions (FAQs) in collaboration with the regulator.
- > Release governance frameworks to provide written guidance to FinTechs on relevant topics.
- > Provide verbal guidance via question and answer (Q&A) sessions.
- > Host public forums.
- > Organize and host FinTech events around specific technologies or questions.
- > Enable regional representation by participation in regional working groups and, where possible, explore the feasibility of licensing portability.
- > Sign partnership agreements with key FinTech hubs.

49 This same TOR is drawn from the Rwanda National FinTech Strategy 2022-2027 on Page 41. (Ministry of ICT and Innovation. 2022. Rwanda FinTech Strategy 2022-2027. April. Kigali. Ministry of ICT and Innovation (MINICT). Available at: <https://www.minict.gov.rw/index.php?elD=dumpFile&t=f&f=41306&token=d582a81725e7>)

ANNEX 3: DRAFTING A VISION STATEMENT

To draft an effective vision statement, it is helpful for national authorities to consider the rationale for embarking upon such a strategy and the ensuing journey. The questions below can be of some assistance.

- > Why is FinTech an important policy objective?
- > Why is an NFS needed now?
- > How would an NFS align with or support the country's related objectives?
- > What is the context in which they are trying to launch an NFS?

A recent example of a NFS vision is from Malta:

“The [Malta Financial Services Authority's] vision is to establish Malta as an international FinTech hub which supports and enables financial services providers to infuse technology in product and service offerings to drive innovation.”⁵⁰

ANNEX 4: CONSIDERATIONS FOR CONDUCTING A BASELINE ASSESSMENT

Under this categorization system, policymakers can conduct a more thorough self-assessment by considering the state of these various elements:⁵¹

ELEMENT	SUB-AREA	EXAMPLE DATA POINTS AND QUESTIONS
INFRASTRUCTURE & TECHNOLOGY		<ul style="list-style-type: none"> > Levels of financial inclusion and SDG performance. > Availability, access, ease of use, and penetration of mobile communication devices, smartphones, and the internet > Implementation and integrity of: <ul style="list-style-type: none"> - national or sovereign digital identity systems - simplified account opening rules and systems - interoperable electronic payments systems
POLICY AND REGULATION	Regulatory Frameworks	<ul style="list-style-type: none"> > Regulatory approach that is capable of consistently: <ul style="list-style-type: none"> - identifying and modernizing unsuitable regulation - implementing graduated and proportional regulation - upgrading and implementing new technologies in regulatory and supervisory systems - allocating testing environments
POLICY	Legal Framework	<ul style="list-style-type: none"> > How is financial supervision organized and does it sufficiently involve relevant regulators, for example, in terms of privacy, competition, financial, and telecommunication regulators? > What powers are afforded to the regulator under its mandate? > Does your institutional mandate allow implementing testing and piloting frameworks? > Do legal and regulatory frameworks allow flexibility in selecting the type of experimental mechanism used? > What changes to the framework may be required to enable the necessary approach? > Are you currently in a position to monitor and manage risks in the financial sector and among consumers in regard to: <ul style="list-style-type: none"> - depositor and investor risks - protection and verification of customer information > Fraud and other market abuse risks, including AML/CFT and monitoring cryptocurrencies > Cybersecurity risks
	Regulator Capacity (Institutional)	<ul style="list-style-type: none"> > Robustness and relevance to FinTech of capacities in: <ul style="list-style-type: none"> - policymaking - payments infrastructure - cybersecurity - data collection, storage, and analytics
	Embedded Networks	<ul style="list-style-type: none"> > internal market monitoring > inter-regulatory agency cooperation > sectoral stakeholder forums
	Regulator's Organizational Structure	<ul style="list-style-type: none"> > Ability and capacity to: <ul style="list-style-type: none"> - liaise between stakeholders - analyze novel innovation - implement FinTech-oriented policy measures and programs - run testing and piloting initiatives

51 Digital Financial Services Working Group (DFS WG). 2021. Innovative Regulatory Approaches Toolkit. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: <https://www.afi-global.org/publications/innovative-regulatory-approaches-toolkit/>

TALENT & CULTURE	Capacity & Skill Building	<ul style="list-style-type: none">> Technical capacity> Organizational mindset and culture> Training, exercises, and skill building> Education campaigns (internal and external)
INTERCONNECTIVITY	Engagement and Outreach	<ul style="list-style-type: none">> Partnerships with industry> Consumers> Startup ecosystems> Industry associations> Academia> International cooperation> Knowledge exchange
CAPITAL	Funding Opportunities	<ul style="list-style-type: none">> Presence of venture capitalists, angel investors, accelerators, incubators> Grants> Research and Development budgets for finance and tech related innovation

ANNEX 5: RISK MANAGEMENT REGISTER TEMPLATE⁵²

Risk Management Register (Template)

An example of a risk management template or register could involve the following elements:

- > **Activity:** which specific part of the NFS or plan is in question?
- > **Risk Identification:** what is the potential risk associated with that activity that could impact the successful achievement or completion of the activity?
- > **Risk Probability:** what is the probability that the identified risk could occur or arise? A simple classification system works best e.g.:
 - Qualitative scale: low, medium, high
 - Quantitative scale (1 to 5, with probability in ascending order)
 - "traffic light system": green, amber, red
- > **Risk Impact:** if the risk were to happen, what kind of impact would this have on the Action Plan or NFS as a whole? A similar categorization as with Risk Probability can be deployed.
- > **Contingency Plan:** what steps will be taken to avoid, mitigate, transfer, or accept this risk?
- > **Owner:** which stakeholder, specifically, is responsible for monitoring this risk and implementing the contingency plan?

The Register can be developed using simple tools like MS Excel and shared with key stakeholders and actors for real-time monitoring and updates. Examples of elements for the register are shown below:

ACTIVITY	RISK	PROBABILITY	IMPACT	CONTINGENCY PLAN	OWNER

52 Gradstein, H. Randall, D. Ardic Alper, O. 2018. Developing and Operationalizing a National Financial Inclusion Strategy Toolkit. Washington, D.C. World Bank Group. Available at: <http://documents.worldbank.org/curated/en/201761530163552405/Developing-and-operationalizing-a-national-financial-inclusion-strategy-toolkit>



Alliance for Financial Inclusion

AFI, Sasana Kijang, 2, Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia
t +60 3 2776 9000 e info@afi-global.org www.afi-global.org

 Alliance for Financial Inclusion  AFI.History  @NewsAFI  @afinetwork