

Access2Access

Evaluation and Learning

Spotlighting the Status of Innovation and Regulation

Disclaimer

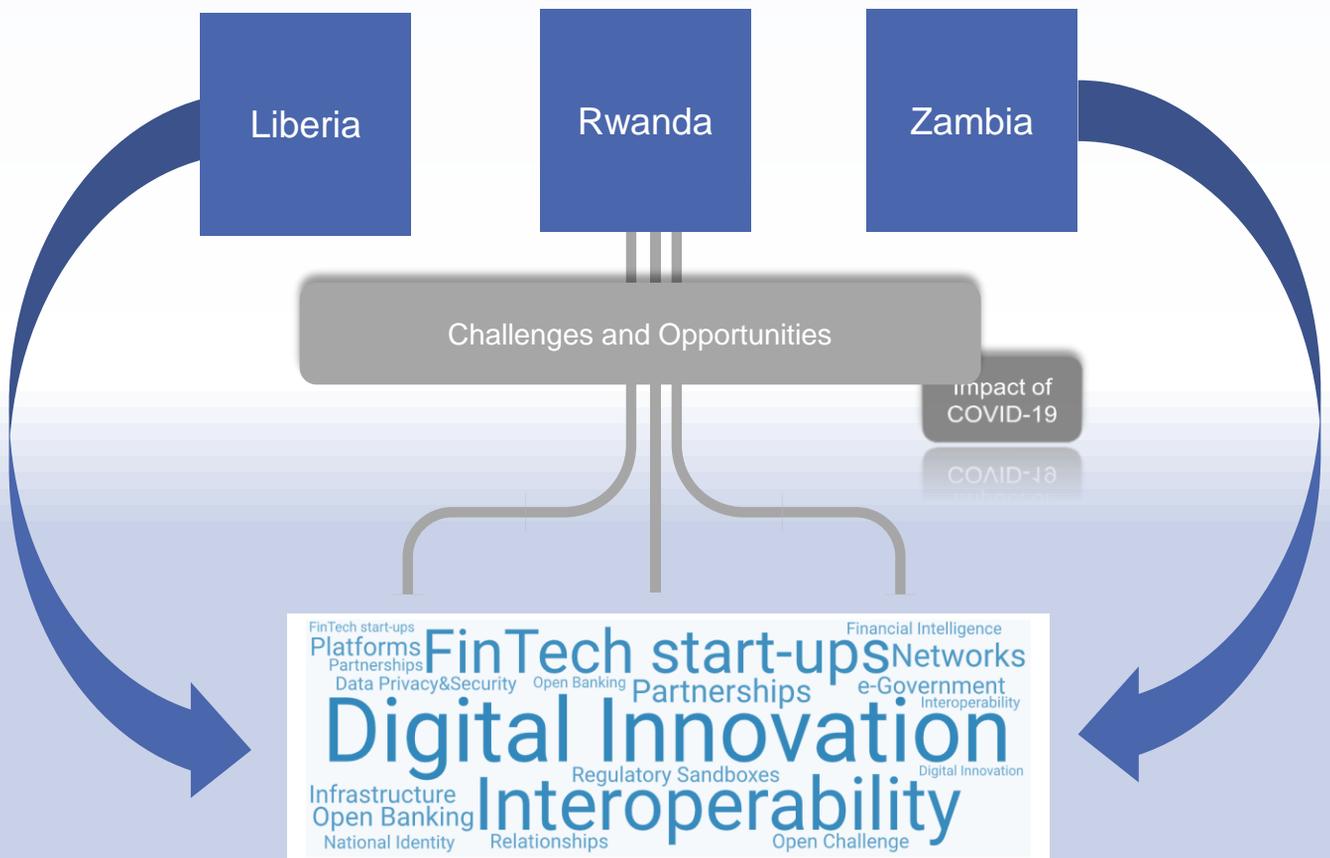
This publication was written by Abenaa Addai (Abenaa.Addai@accessholding.com) with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of AccessHolding (Access Microfinance Holding AG) nor those of the Mastercard Foundation.

Spotlighting the Status of Innovation and Regulation

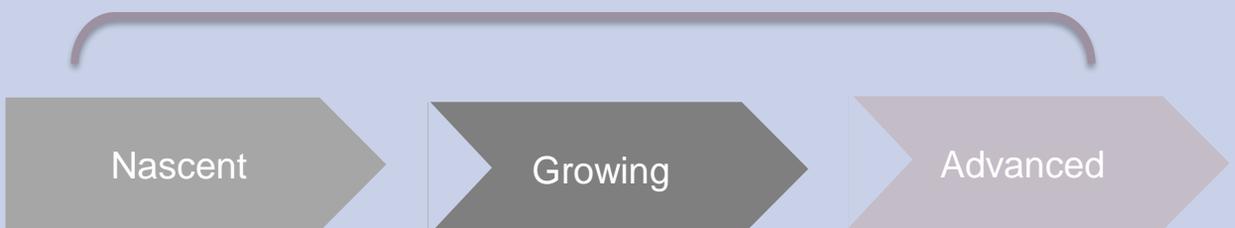
Building on the **driving factors** of digital transformation,

 Regulators & Gov't	 Human Capital and Funding	 Infrastructure	 FinTech	 Consumers & users
<p>Enabling environment to support fintech solutions while maintaining regulatory objectives of consumer protection, financial stability & integrity</p>	<p>Access to capital and finance for FinTechs and a skilled labour force</p>	<p>Enabling underlying infrastructure (internet and network services, payment platforms)</p>	<p>Digital technologies with the potential of transforming financial services – business models, applications, processes, and products</p>	<p>Access and demand to digital financial services and technology adoption (mobile device penetration, internet usage)</p>

we spotlight on areas of **regulation and innovation policy** in three countries



and map out the status of digital transformation



Liberia

- The vision for financial inclusion is to build a sustainable financial sector deeply rooted in **digital financial services**.
- Without a clear definition and understanding among regulators, there seems to be a **regulatory overlap and in other areas gaps**: regulations (and accompanying enforcement) lag behind regional and global standards.
- There is an **absence of dedicated regulations** for electronic transactions, cybersecurity, privacy and the protection of consumers online.
- A **National payment framework** is still missing.
- **ICT Policy** has been revised (2019-2024) and national fiber optic backbone to connect all 15 county capitals and cross-border connectivity with reliable links is high priority.
- **Interoperability** is seen as an important element in the DFS ecosystem and was made mandatory in the Mobile Money Regulations (2014) but it has not been operationalized and **cooperation** amongst players is limited.
- The **national switch** is not functional and lacks business case.
- **Supporting infrastructure** to facilitate digital payments is limited and costs of digital financial services are high.
- Weak reliability, affordability, speed and coverage of the internet outside Monrovia- the cost of **internet usage** is amongst the highest in the world.
- **Skillset of human resources** is below regional average.
- The **FinTech industry is only nascent**, but promising **innovation hubs** such as iLab Liberia on the rise.
- Digital transformation requires large support by Government: various **e-government projects** in different sectors such as e-education, e-health, a full scale e-procurement system are under development as well as an electronic single window and transition from pre-shipment inspection to destination inspection.
- Liberia enacted the **National Identification Registry Act** in 2011, and in 2017 begun issuance of the biometric card, however ID remains a barrier to access of financial services.
- **Slow adoption** of digital financial services (such as payments) by consumers with very low financial literacy.

Total Population¹

5.0 million

Financial Inclusion Rate²

35.7%

Mobile Phone Penetration³

83%

Internet Penetration⁴

12%

Financial Infrastructure

Commercial Banks: **9**

Bank Branches: **87**

Microfinance Institutions: **13**

Mobile Money Providers: **2**



Regulators & Gov't



Infrastructure



Human Capital
and Funding



FinTech



Consumers & users

¹ 2019, <https://data.worldbank.org>

² 2020 (bank account with financial institution)

<https://globalfindex.worldbank.org/>

³ 2020 Mobile phone connections as % of population GSMA intelligence

⁴ Share of population using the internet <https://datareportal.com/>

Rwanda

- The **National Strategy of Transformation (NST1)** recognizes ICT as a cross-cutting enabler for development: Greater digital adoption and ICT-driven innovation is seen as instrumental.
- An **enabling public institutional framework** was created, which inter alia includes the line ministry charged with policy and strategy and a dedicated implementation and coordination agency.
- Government has adopted an **ambitious digital agenda**: pushing public investment, in areas such as digital infrastructure and digital public service delivery.
- Top African performer in both global **'e-government'** and **'doing business'** rankings.
- Government incentivizes **innovative partnerships to expand digital literacy** and create **support infrastructure for tech-based start-ups**.
- More investment is needed in **human capital to build** the nation's digital skills base.
- A more robust yet measured **data protection and privacy regime** is also required to enhance trust and increase usage of digital services.
- The World Economic Forum's Networked Readiness Index subsequently rated Rwanda first among East African nations in terms of its **readiness to exploit the opportunities offered by ICT** to boost growth and competitiveness.
- **Infrastructure: good network coverage, international bandwidth has grown** ten-fold over the last five years – affordability remain a barrier to access.
- The **digital literacy rate** in Rwanda stands at 12 percent as of 2019, which limits the demand for digital financial services.
- Government aims at increasing the digital literacy rate to 60 percent by 2024 by e.g. embedding digital skills training in the national education system: **SMART Classroom Initiative**.

Total Population

13.11 million

Financial Inclusion Rate

75%

Mobile Phone Penetration

73.9%

Internet Penetration

26%

Financial Infrastructure

Commercial Banks: **9**

Bank Branches: **366**

Microfinance Institutions: **4**
and **491 (NBFIs)**

Mobile Money Providers: **3**



Regulators & Gov't



Infrastructure



Human Capital
and Funding



FinTech



Consumers & users

Zambia

- Strong focus on **creating a digital economy and a collaborative and coordinated approach between government departments and private sector stakeholders.**
- The Central Bank has an **innovation mindset and provided policy direction** with the implementation of the National Financial Sector Development Policy, the National Financial Inclusion Strategy together with Vision 2030 and more recently the National Payment Systems Vision and Strategy 2018-2022.
- Progress is particularly evident in **digital infrastructure (esp. National Financial Switch), digital financial services, and digital platforms**, while more significant gaps remain in digital skills and digital entrepreneurship.
- **Payments Association** to provide an environment within which small Fintech players, who are unable to meet the relevant requirements on their own, can also participate on the switch.
- Zambia is now among the top 10 in the least developed countries category of the e-**Government** Development Index.
- A **regulatory sandbox** process initiated by the Bank of Zambia is undergoing an enactment process. The industry innovation **FinTech4U Accelerator Programme** was launched.
- **Several private initiatives** have emerged since 2010 and include BongoHive, Jacaranda Hub, and WeCreate.
- Zambia allows banks, MNOs, non-banks and fintechs to operate DFS in one form or another **enabling the exploration of different partnership models.**
- Policies on **data protection, cloud computing and cyber security** in place
- The national identity government working group and Smart Zambia is working on the INRIS **Biometric identity project.**
- Increasing number of consumers: **6,500,000 DFS accounts** active on a 90-day basis, signifying an increase in user activity from 26% in December 2018 to 39% in December 2019.

Total Population

18.65 million

Financial Inclusion Rate

69.4%

Mobile Phone Penetration

89.7%

Internet Penetration

24%

Financial Infrastructure

Commercial Banks: **18**

Bank Branches: **377**

Microfinance Institutions: **119**

Mobile Money Providers: **3**



Regulators & Gov't



Human Capital
and Funding



Infrastructure



FinTech



Consumers & users

Status of Digital Transformation

Using information gathered through our study, we undertook to establish the framework below. The framework is divided into three basic development stages: nascent, growing and advanced. We looked at the driving factors of digital transformation in each country and assessed each countries progress. Whilst our framework does not apply rigorously measurable indicators, it helps us understand the environment in which we launch our digital financial service innovations in our countries of operation.

	Nascent	Growing	Advanced
Regulators & Gov't	Gov acknowledges the importance of Digital Transformation and reviews related policies and frameworks	Collaborative and coordinated approach between gov't depart and private sector to move forward digital initiatives	Digital Transformation Strategy
Infrastructure	Access to undersea internet cables, backbone networks, platforms. Digital shared services, digital identity, and digital financial management	Backbone networks, data clouds, IXPs, privacy, and Cybersecurity, Digital government, open data, e-commerce	4G/5G networks, rural connectivity, internet of things, Mobile apps, AI applications, and software-enabled platforms
Human Capital and Funding	Bootcamps, and digital skill trainings	Business/management skill training	Digital-savvy workforce
FinTech	First start-up FinTechs Talent development, and business mentoring	FinTechs fill market gap Angel/seed financing, innovation centers, regional Hubs	FinTech have dominant market position Venture financing, M&A, IPOs, BPO centers, local digital Industry
Consumers & users	Consumers access first digital products and e-Gov	E-Gov well developed, and users search for digital alternatives and have digital devices to access services	Strong demand for sophisticated DFS based on their digital connectivity
Country Status of Development	L Liberia	Z Zambia	R Rwanda

Impact of COVID-19

COVID as accelerator of digital transformation?

As a first response to the crisis, most governments focused their mostly temporary regulatory adjustments on "quick wins" that had a high potential to mitigate part of the impact of the pandemic on the national economy:

- Liberia: To better facilitate the use of electronic payments, the Central Bank suspended fees and charges for most electronic transfers and point-of-sale outlets used by merchants and mobile money operators; and increased allowable daily limits. The Bank also increased the allowable daily and aggregate limits for mobile money transactions for a period of three months.
- Rwanda: From 1 April to 22 June partnerships between Government and the private sector enabled zero-rated mobile money transfers as well as zero-rating of education websites.
- Zambia: The Central Bank recommended zero charges for P2P transfers of transaction up K150. The limits by agents were revised upwards to give agents more float to deal with transactions. MMO agents were declared as "essential services" to allow them to remain operative during lockdowns.

The pandemic has quickly accelerated the use of and need for digital financial services. The need for an effective policy response not only to the COVID-19 crisis but which will generally promote digital financial inclusion has increased in importance.

The Partners

AccessHolding



ACCESS MICROFINANCE HOLDING AG

Access Microfinance Holding AG ([AccessHolding](#)) operates a network of Network Financial Institutions (NFIs) that offer responsible products and services tailored to the needs of small businesses and underserved parts of the population in developing and transition countries. In the long run, AccessHolding envisions an inclusive financial sector that improves people's livelihoods, drives local economic growth and job creation, and is built on equal rights and gender equality. An [impact measurement framework](#) tracks the progress towards our impact goals. AccessHolding's strategic management support includes broad-based capacity building through the AccessCampus corporate academy, comprehensive network-wide e-learning modules, and the steering of strategic projects in the areas of digitalization and technology.

Access2Access

ACCESS2ACCESS (A2A) PROGRAMME

The Access2Access (A2A) Programme was set up in summer 2016 with the total value of USD 33 million. In September 2016, AccessHolding entered into a Partnership Agreement with Mastercard Foundation to support the A2A Programme with USD 15.5 million over a period of six years.

The overall objective of the A2A Programme is to strengthen the capacities of the AccessHolding Network Financial Institutions (NFI) with the aim of increasing outreach and improving access to financial services that meet client needs more efficiently and profitability. The partnership with Mastercard Foundation has two components: (i) Capacity Building and (ii) Digitalisation.

ABOUT THE MASTERCARD FOUNDATION

The Mastercard Foundation works with visionary organizations to enable young people in Africa and in Indigenous communities in Canada to access dignified and fulfilling work. It is one of the largest, private foundations in the world with a mission to advance learning and promote financial inclusion to create an inclusive and equitable world. The Foundation was created by Mastercard in 2006 as an independent organization with its own Board of Directors and management.

For more information on the Foundation, please visit: www.mastercardfdn.org

The Capacity Building component strengthens human resources of the NFIs by supporting AccessCampus (network-wide education of middle managers), AccessFoundation (training of trainers and local advanced learning for all staff) as well as the development and implementation of an e-learning platform (AccessMind). The intensive and diversified Capacity Building initiatives qualify staff to manage complex products and services, and to put the customer at the center of all developments. The Digitalisation component broadens the range of channels, products and services that customers can access, based on a client-centric business model. At the same time the new developments improve the institutions' internal efficiency, and are built on a solid, scalable flexible and secure IT architecture.