



**USAID**  
FROM THE AMERICAN PEOPLE

# FINTECH PARTNERSHIPS CHECKLIST: IDENTIFYING AND STRENGTHENING THE RIGHT DIGITAL FINANCE PARTNER

USAID works with partners and policymakers around the world to foster the growth of vibrant digital finance ecosystems. The purpose of doing so is to achieve change in two primary dimensions:

- **Deepen financial inclusion**—when people can improve their financial well-being by having access to and being able to effectively use a diverse set of financial services (basic wallets/accounts, payments, savings, credit, insurance) that are affordable, accessible, and secure
- **To make progress toward critical development outcomes, such as:**
  - Responsive, accountable institutions (via efficiency and transparency)
  - Resilient families (smoothing consumption, faster access to funds, etc.)
  - Financially empowered individuals and MSMEs (women, farmers, youth, merchants, traders)

To enable these outcomes, USAID recognizes the critical importance of an enabling environment that promotes market-led competition and innovation while ensuring meaningful consumer protection. USAID also recognizes the imperative for private sector investment, so providers can offer useful products and services to persistently un- or under-served communities in a sustainable manner. This is possible in a digital finance ecosystem made up of:

- **Digital finance market actors**—an array of providers (e.g., banks, non-bank financial institutions, tech firms, telecoms, agents) compete or partner to offer inclusive financial services on a commercially viable basis; and
- **Digital payments infrastructure**—designed to enable easy, secure, minimal-cost, and near real-time payments to any person or institution for populations overlooked or poorly served by legacy systems.

## WHY THIS CHECKLIST IS NEEDED

**The range of digital finance actors and product innovations has proliferated over the last decade**—frequently due to the critical support of donors to test and grow products that show real promise. However, as these actors and new competitors have entered the marketplace, it has become clear that not all products have equal potential, and not all providers have the resources or ability to contribute to a healthy ecosystem. For example, certain providers:

- struggle to maintain robust network connectivity and enough liquidity for customers to withdraw or deposit funds;
- subject customer funds to significant risk due to unresolved data security vulnerabilities;
- rely on anti-competitive practices to gain market share, potentially hindering innovation and consumer protection;
- rely on unduly one-sided, non-transparent, or difficult-to-understand contracts with customers; or
- invest few resources to foster meaningful customer service and mechanisms for resolving problems or complaints.

**Donors, investors, and NGOs can provide incentives or support to address these issues.** Donors already rely on many factors to decide whether to pursue a partnership (such as via grant, debt, equity, or guarantee). Most will, for example, expect management capability as well as the ability to demonstrate development impact, ability to scale, and a viable business model. Donors will often also aim to avoid unnecessary market distortion or investment displacement.

This checklist can be considered a supplement to such factors—a living checklist that reflects at least four persistent factors that increase the importance of certain issues donors should be cognizant of in digital finance:

- new, non-traditional actors involved in provision of financial services (e.g., data analytics firms, MNOs, non-banks);
- reliance on digital channels, out-sourcing, or agents as primary customer interface;
- complex, fragmented, or opaque business models; and
- quicker pace of product and business model evolution.

## CHECKLIST FOR ASSESSING A PROVIDER'S READINESS TO HELP DIGITAL FINANCE THRIVE

This checklist is not meant to be comprehensive. It is meant to shed light on a provider's (or product's) ability to engender trust in and help grow the digital finance ecosystem writ large, based on how it handles certain key issues. Responses may well prompt further inquiry, as each topic is complex. For early-stage innovations, this checklist might instead be transformed into an **aspirational** set of critical milestones—the achievement of which might even become the purpose of donor engagement.

*These topics are critical for any digital financial service at the outset, particularly for credit products.*

### CHECK THE BOX      TOPIC      INITIAL DUE DILIGENCE QUESTIONS TO DISCUSS WITH PROVIDER

CHECK THE BOX	TOPIC	INITIAL DUE DILIGENCE QUESTIONS TO DISCUSS WITH PROVIDER
Sufficient	Insufficient	<p><b>Data Privacy and Security</b></p> <p><b>How does the provider proactively protect against and resolve disclosures of sensitive data? How does it use (and explain to end-users how it uses) data for commercial purposes?</b></p> <ul style="list-style-type: none"> <li>Does the provider responsibly collect, store, use, or process customer data (e.g., financial information or personally-identifiable information)? If so, how? Does the provider avoid collecting data indiscriminately?</li> <li>Does the provider inform customers of how data is used (including by third parties) and provide effective mechanisms to customers for exercising control over the data, such as to correct errors, manage data-sharing, or delete data? If so, how are customers informed and how is control exercised? If not, why?</li> <li>Does the provider abide by applicable best practices and standards for ensuring the security of customer data in its care? If so, what are the standards (e.g., PCI DSS or ISO 27001) and the practices (e.g., end-to-end encryption, multi-factor authentication, physical access controls, monitoring, third-party audits)?</li> </ul>
		<p><b>Fair and Respectful Treatment</b></p> <p><b>How does the provider ensure that it and its partners responsibly serve the marketplace?</b></p> <ul style="list-style-type: none"> <li>Does the provider use responsible pricing? If so, how does it compare to peers?</li> <li>Does the provider avoid excessive fees or interest rates, and reduce the risk of over-indebtedness?</li> <li>Does the provider use harmful discriminatory or exclusionary practices (e.g., via misuse of data analytics)?</li> <li>Does the provider train and ensure appropriate treatment by its employees, agents or partners? If so, how?</li> <li>Does the provider take full responsibility for the actions of its agents? If not, why?</li> <li>Does the provider adequately safeguard customer assets from fraud or misuse? If so, how?</li> </ul>
		<p><b>Transparency</b></p> <p><b>How does the provider approach the critical need for effective disclosure of fees, terms, etc?</b></p> <ul style="list-style-type: none"> <li>Is it clear to the customer which party is responsible for the product being offered?</li> <li>Does the provider disclose all product features, fees, and terms? If so, how (e.g., via mobile, signs, receipts)?</li> <li>Is disclosure timely, so consent can be meaningfully given?</li> <li>Is this information readily available and presented in a way that intended customers can understand it?</li> </ul>

*These topics are desirable for any digital financial service, but of increased importance as the market matures and adoption grows.*

**CHECK THE BOX      TOPIC      INITIAL DUE DILIGENCE QUESTIONS TO DISCUSS WITH PROVIDER**

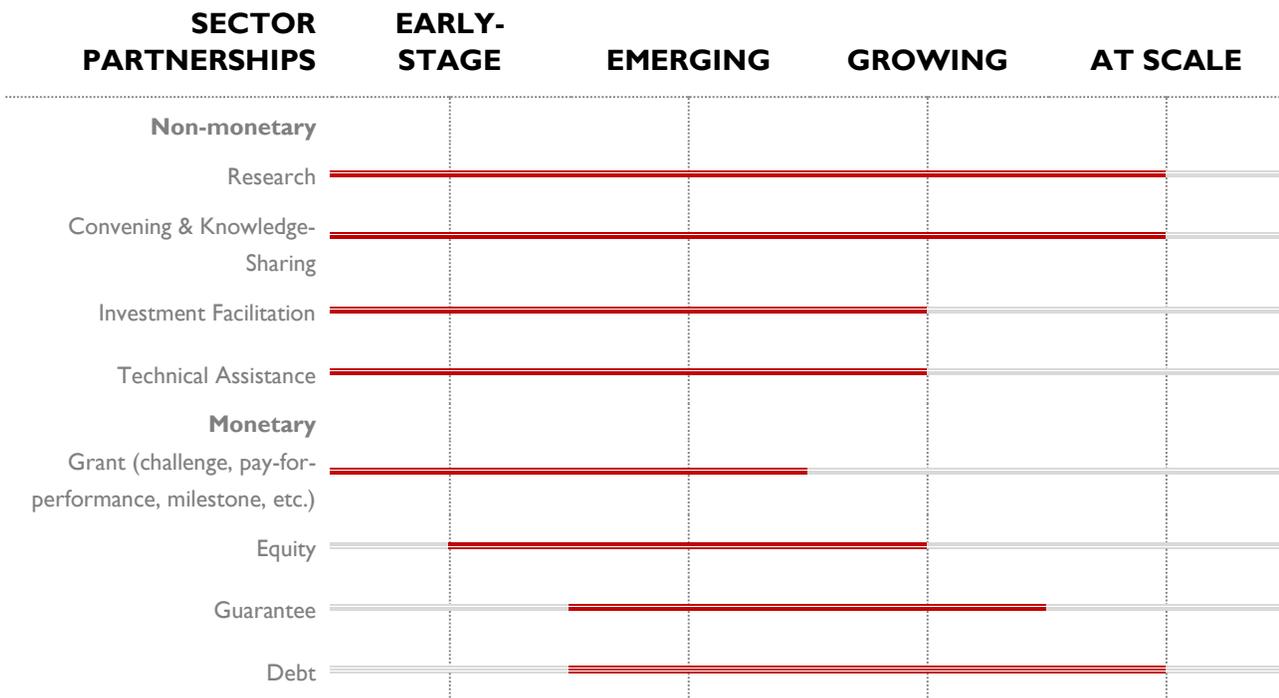
CHECK THE BOX		TOPIC	INITIAL DUE DILIGENCE QUESTIONS TO DISCUSS WITH PROVIDER
Sufficient	Insufficient	<b>Product Design and Customer-Centricity</b>	<p><b>How does the provider approach the design and delivery of its products to end-users, whether they are consumers, businesses, or institutions?</b></p> <ul style="list-style-type: none"> <li>Do the product attributes (and mobile interface, if any) reflect customer needs, preferences, or behavior?</li> <li>Does the provider mitigate for factors that can impair productive use, such as cultural or gender norms, availability of digital infrastructure (e.g., mobile, ATM, POS), and literacy (digital, financial, etc.)? If so, how?</li> <li>Does the provider take steps to prevent or mitigate the effects of network downtime or insufficient capacity?</li> </ul>
		<b>Competition, Interoperability, and Open Standards</b>	<p><b>How does the provider improve the prospects of a competitive marketplace in which end-user choice is not limited or impaired unnecessarily by certain business arrangements or technical implementations?</b></p> <ul style="list-style-type: none"> <li>Does the provider excessively rely on exclusive business relationships (e.g., with agents or MNOs), proprietary systems or data standards, or other practices that can entrench dominant firms, impair market entry, or reduce network effects? If so, is this justifiable, or is there a path for adopting a more open model as it grows or reaches scale?</li> <li>Does the provider enable interoperability (e.g., across accounts, agents, or customers)? If not, why, and what is its plan for doing so in the future? Does the provider submit information to credit bureaus?</li> <li>Does the provider employ open-source tools, open APIs, or industry standards where possible (e.g., ISO 20022 or ISO 12812) to facilitate seamless, more efficient transaction and data flows? If not, why?</li> </ul>
		<b>Recourse and Resolution</b>	<p><b>How does the provider ensure that throughout the lifecycle of its relationship with end-users, problems or issues are resolved efficiently and fairly?</b></p> <ul style="list-style-type: none"> <li>Does the provider offer customers accessible, affordable, efficient, and fair mechanisms for resolving problems and addressing complaints arising out of the customer-provider relationship?</li> </ul>

**ADDITIONAL RESOURCES THAT PROVIDERS AND DONORS CAN RELY ON FOR GUIDANCE**

- Where relevant, does the digital finance provider or product align with the [Responsible Digital Payment Guidelines](#), the SMART Campaign’s [Client Protection Principles](#), the [Principles for Digital Development](#), or other relevant standards or good practices?
- If so, how? If not, why? Does it, or is it able to, comply with applicable laws and regulations (e.g., appropriately licensed or registered)?

**COMMON  
PURPOSES FOR  
DONOR-PRIVATE  
SECTOR  
PARTNERSHIPS**

**THE RELEVANCE OF A PARTNERSHIP IS OFTEN A FUNCTION  
OF WHAT STAGE OF GROWTH A PROVIDER IS AT**



Adapted from: *Emerging Lessons of Public Funders in Branchless Banking* (CGAP, 2011)

Potential relevance for donor engagement —

**USE THIS CHECKLIST TO INFORM PRELIMINARY OR EXPLORATORY DISCUSSIONS WITH PROSPECTIVE DIGITAL FINANCE OR FINTECH PARTNERS**

The desired result of a donor-private sector partnership focused on digital finance will vary based on the type of product/provider and its stage of development. A donor might award a grant to test the impact of a digital credit product adapted for use by a new clientele (e.g., smallholder farmers); host a workshop to bring together financial institutions and experts to improve data privacy and data security practices; provide a debt guarantee to a start-up scaling its pay-as-you-go energy product.

For these and other engagements, this checklist can be used by donors and NGOs specifically to help identify digital finance innovations that (a) **promise development impact** in their own right and (b) **contribute to, rather than hinder, a growing and vibrant ecosystem** for digital finance. In that vein, this checklist can:

- Guide exploratory discussions with digital finance/FinTech providers and investors
- Inform the development of criteria for funding or partnership opportunities
- Help define the breadth and viability of potential partners in a particular country or sector

**As a result of such engagements, a donor might observe improved metrics such as:** the number or value of loans disbursed; number of accounts opened; or number of individuals/SMEs reached. Where possible, the intent should be to achieve broader market-level changes via both the immediate donor partner and other market actors. For example:

- Better services launched, adapted, or expanded that suit consumer/SME needs
- More investment in inclusive financial services enabled by digital technology
- More market entrants (e.g., third parties) in the digital finance ecosystem
- Better access to finance for promising digital finance providers
- New geographies or communities targeted

## ADDITIONAL RESOURCES

No definitive criteria exist for assessing the promise or impact of digital financial service solutions. However, donors, investors, and development actors have highlighted certain characteristics that help ensure real utility for the marketplace. The following sources have informed the content of this checklist. Certain aspects of these sources are not relevant to all digital financial services, but they can still shed light on desired characteristics for specific applications.

TOOL (CLICK FOR SOURCE URL)	PRIMARY AUDIENCE	SPONSOR
<a href="#">Responsible Digital Payments Guidelines</a>	Financial services providers (FSPs)	Better Than Cash Alliance (BTCA)
SMART Campaign: <a href="#">Client Protection Principles</a>	FSPs	Center for Financial Inclusion (Accion)
<a href="#">Level One Project: User Requirements</a>	FSPs	Level One Project
<a href="#">Payment Card Industry Data Security Standards (PCI DSS)</a>	FSPs	Payment Card Industry Security Standards Council (PCI SSC)
ISO Standards for Financial Services. E.g., <a href="#">ISO 20022</a> (financial messages) & <a href="#">ISO 12812</a> (mobile financial services)	FSPs	International Standards Organization (ISO)
<a href="#">Code of Conduct for Mobile Money Providers</a>	FSPs (GSMA members)	GSMA
<a href="#">Client Protection Due Diligence Checklist</a>	FSPs and investors	Consultative Group to Assist the Poor (CGAP)
<a href="#">Principles for Investors in Inclusive Finance</a>	FSPs and investors	Principles for Responsible Investments
<a href="#">Doing Digital Finance Right: The Case for Stronger Mitigation of Customer Risks</a>	FSPs and regulators	CGAP
<a href="#">Good Practices for Financial Consumer Protection</a>	FSPs and regulators	World Bank
<a href="#">The Role of Funders in Responsible Finance</a>	Donors	CGAP
<a href="#">Principles for Digital Development</a>	Donors and NGOs	Development Impact Alliance (DIAL)
<a href="#">Principles for Digital Payments in Humanitarian Response</a>	Donors and humanitarian NGOs	USAID
<a href="#">Protecting Beneficiary Privacy</a>	Donors and humanitarian NGOs	Cash Learning Partnership (CaLP)
<a href="#">Consumer Protection in Mobile Financial Services</a>	Policymakers and regulators	Alliance for Financial Inclusion
<a href="#">Payment Aspects of Financial Inclusion</a>	Policymakers and regulators	World Bank and Committee on Payments and Market Infrastructure
<a href="#">G20 High-Level Principles for Digital Financial Inclusion</a>	Policymakers and regulators	G20 Global Partnership for Financial Inclusion (GPFI)
<a href="#">G20 High-Level Principles on Financial Consumer Protection</a>	Policymakers and regulators	G20 GPFI

### REFERENCES

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- GSMA. "CODE OF CONDUCT FOR MOBILE MONEY PROVIDERS." (2015).
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- SMART CAMPAIGN. "CLIENT PROTECTION PRINCIPLES." [HTTP://SMARTCAMPAIGN.ORG/ABOUT/SMART-MICROFINANCE-AND-THE-CLIENT-PROTECTION-PRINCIPLES](http://smartcampaign.org/about/smart-microfinance-and-the-client-protection-principles).

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