

## “APPROACH FOR DIGITAL FINANCIAL TRANSFORMATION IN THE ARAB REGION”

A quick read of the Arab Monetary Fund / Alliance for Financial Inclusion study

*The September 2020 study “Approach for Digital Financial Transformation in the Arab Region” by the Arab Monetary Fund sets a frame for the development of fintech in the Arab region.*

*It advocates for the development of ecosystems for digital financial transformation attracting private investment and yielding socio-economic and commercial gains.*

*Fintech growth will contribute to “facilitate access to finance for MSMEs in South Med countries”, one of the objectives of the MED MSMEs Programme.*

*NB. The Programme disseminates knowledge and practices as part of its activities supporting the work programme of the Regional Platform for Industrial Cooperation of the Union for the Mediterranean.*

### Key highlights (access full document [HERE](#))

- Fintech will enhance digital transformation, particularly for women and rural populations
- Arab countries need to evolve their digital financial framework to scale-up digital finance.
- Arab countries can draw on the G20 policy guidelines that provides useful insights.
- Development of Regulatory Sandboxes is important from a regulatory perspective.
- Digital transformation is an important tool to address gender financing in the Arab countries.

### What are the key pillars of policies fostering financial digitalization?

Four key pillars have been identified to successfully foster financial digitalization:

**Access:** starting with building ICT infrastructures

**Enabling Use:** developing acceptance, interoperable networks through regulations

**Scaling Use:** including e-government services (G2P, P2G, G2B and B2G)

**Expanding Range & Quality:** digital financial markets and ecosystem.

**Smart regulatory Approach to fintech innovations:** Regulatory frameworks will determine the future of technology-driven innovation in finance. Sequenced regulatory approaches can help Arab central Banks to create pathways for Fintech growth with financial inclusion. Pathway can include impact assessments, preserving market stability and integrity, testing and piloting in a flexible way by using the Regulatory Sandbox and restricted licenses before full ones.

### Low financial inclusion slows down digitalisation

In 2017, nearly 145 million adults in the Arab regional did not own a transaction account, slowing the pace of digital finance and transformation in the Arab region. While the developing country average for account ownership stands at 63%, in the Arab region, only % of men and 35% of women have account.

**A. Developing common policy approaches and key aspects of digital finance** through exchange of knowledge and expertise and capacity strengthening.

**B. Leveraging and aligning efforts on fintech regulatory policies and innovation facilitators:** by developing cross-border initiatives, reciprocal license arrangements and harmonization. It remains that implementation depends on the country jurisdictional context.

**Financial and Technology Infrastructure:** Enable advances in the Fintech by facilitating foundational infrastructure in a conducive policy environment.

**A. Identify opportunities to support investments in infra structure across the region** for instance increasing mobile phone penetration of women and increasing the agent and merchant acceptance networks to build payment access point.

**B. Collaborate on Suptech solutions:** pro-innovation technologies can also include the use of technology to strengthen compliance and monitoring by using regulatory (Regtech) and supervisory technology (Suptech) to support compliance and supervision.

**Other aspects include:** Competition, Financial Consumer protection, Financial Capability, Data and Cybersecurity, Monitoring, Cooperation and Gender.