

USAID Innovation, Technology, and Research Hub call for Capacity Statements for research Assessing the People’s Republic of China’s Influence on Digital Finance and Fintech in Emerging Markets

The United States Agency for International Development’s Innovation, Technology and Research Hub (ITR) and the Long-term Assistance and Services for Research, Partners for University-Led Solutions Engine (LASER PULSE) at the Purdue Applied Research Institute, Global Development Innovation Division (PARI-GDI) seek Capacity Statements (CSs) from qualified research teams to conduct research on the scope and nature of influence from the People’s Republic of China (PRC) on digital finance and fintech marketplaces in emerging markets.

A. Background

While much analysis has examined the nature of the People’s Republic of China’s (PRC) influence on telecommunications (5G) and core Internet infrastructure, much less has been done on how that influence affects the digital financial economy that relies on this infrastructure. This includes payment system providers that process billions of dollars of payments involving sensitive financial information for millions of people in emerging markets globally.

This project’s scoping assessment will quantify and assess the nature and implications of the influence from (a) the PRC and (b) firms that originate in China on digital payments and FinTech marketplaces across emerging markets where USAID operates. For example, Huawei is the IT vendor and payment systems provider for some of the most widely used mobile money services across Asia and Africa, processing billions of dollars of payments involving sensitive financial information for millions of people. Likewise, investment flows from Chinese firms are an attractive source of funding for FinTech startups seeking to be acquired, mid-sized firms seeking to scale, or investors seeking to exit their investments in FinTechs across Africa and Asia, two regions in which exits are more difficult to execute. This granular-level data on PRC investment and ownership at a sector or firm level in the FinTech marketplace is currently not available or aggregated in a systematic way.

This project will fill that critical gap by conducting a scoping assessment to map out how to measure the economic or other linkages between the PRC (both Government and firms that might be subject to the influence of the Government) in verticals like e-commerce and digital payments in emerging markets, primarily in Africa and Asia.

Once the influence and related risks are better understood, the assessment will then seek to understand the implications for USAID’s development and humanitarian assistance priorities as well as for partner-country stakeholders and end-consumers. These implications might be positive, negative, or neutral, depending on the specific type of linkage and the actors involved.

B. Project Information

USAID aims to engage one qualified research team with significant experience in analyzing and monitoring digital financial ecosystems including both public and private investment and capital flows, conducting political risk assessments, and having knowledge of the PRC’s economic foreign policy such as the Digital Silk Road. Through LASER Pulse, USAID will take a phased approach to this assessment.

After a brief kick-off to align expectations and the research approach, the qualified research team will conduct a global analysis of PRC influence on fintech and digital finance in emerging markets. This global review will identify patterns of influence that can be operationalized into a framework for capturing influence as well as the risks for consumers and strategic competition for US and its global allies. This will be known as “Phase 1.” After the global analysis and risk assessment framework is finalized, the research team will move to “Phase 2” and will pilot the risk assessment in several geographies, which could be at a regional level or individual market level. Finally, in “Phase 3” the research team will synthesize findings from regional/market level analyses and make recommendations for potential responses that USAID, the Interagency (particularly the Development Finance Corporation, United States Trade and Development Agency, and the Department of Commerce) and the development community might consider, acting in partnership with host country governments and other allied stakeholders where relevant and appropriate. The recommended responses will likely differ based on what the study uncovers vis-a-vis actual vs. hypothesized risk. If the study establishes a particular risk as significant with negative implications for US interests and/or local consumers, a more proactive or mitigative response might be necessary. Conversely, if the risk is minimal, uncertain, or even non-existent, responses may range from monitoring to limited action. The current plan is to make deliverables publicly available, with any sensitive content and recommendations included in a separate, internal document accessible only to the U.S. government. This plan is subject to change.

Phase 1: Global Trends in PRC Influence and Risk Assessment Framework

Global Trends Analysis

Developing a robust risk assessment framework will first require a strong handle on global trends in PRC influence on fintech and digital finance in emerging markets. This initial analysis will examine trends in key areas, such as the following illustrative domains:

Investment and Capital Flows: How much Chinese capital (if possible, to categorize into public, blended and private) including venture capital, private equity, or institutional investment is flowing into the emerging market digital finance ecosystem?

Partnerships and Collaborations: How are Chinese fintech companies operating in emerging markets and/or partnering with local counterparts, offering joint services, or sharing technology?

Regulatory Influence: Is Chinese policy being adopted or influencing regulatory frameworks that impact digital finance? Do the PRC's data security and privacy laws, particularly the Personal Information Protection Law of the People's Republic (PIPL) and Data Security Law (DSL), affect the obligations of private companies in terms of data sharing with Chinese government bodies, regardless of where those companies are located globally?

Talent and Knowledge Transfer: Is there a transfer of expertise, through education, talent migration, or training programs, from China to emerging markets particularly in the digital financial services space?

Digital Financial Services (DFS) Value Chain Technology Adoption: How prevalent are Chinese platforms, tools, or technologies (e.g., cloud computing, AI, etc) in emerging market digital finance?

Overlaid across this should be analysis around whether and how the preceding efforts from the PRC to build out physical and digital infrastructure, through the BRI and Digital Silk Road initiatives, have helped advance influence in the digital finance ecosystem.

Risk Assessment Framework

The global review will identify patterns of influence and inform the next step of creating a framework for gathering and analyzing this influence at a more granular market or regional level. The global analysis will help the research team determine categories or domains where PRC influence could manifest and

create potential risks to American and allied values of an open, competitive, secure, responsible, and inclusive fintech and digital finance ecosystem that promotes competition. Consumer harms might include data privacy and PRC (or local government) surveillance or predatory practices by fintechs, while market competition issues might include non-diverse digital investments, unfair dealmaking, regulatory capture, and market capture.

The draft framework will also be expected to develop metrics for each influence domain where there are measurable indicators to quantify the influence, where possible, and gather evidence of the presence of the risks. There will also be commentary on how easy or difficult the data would be to uncover comprehensively in Phase 2. The team will probe on the framework for issues including:

- Can the framework adapt well to regional differences?
- Does the framework allow for differentiation between high-impact and low-impact risks clearly?
- Does the framework help prioritize risks that can be mitigated vs. those that need to be monitored?

Applying the Framework

Finally, the research team will recommend several regions and markets across at least three regions and/or countries where, based on their desk research, the PRC’s influence is notable or the risks are particularly acute. These recommendations will then be shared with the USAID and LASER team and mapped against USAID strategic objectives, ability to engage, etc., and be winnowed down at the start of Phase 2. Phase 2 will pilot the risk frameworks developed under Phase 1 to the selected regions/markets.

Phase 1 Deliverables:

- **Outline of Global PRC Influence Report and Risk Assessment Framework & Interim Findings:** An outline of the report should be organized to provide a clear, structured view of both the objectives and progress of the research or analysis to date. This is suggested in order to elicit feedback from the USAID and incorporate any course corrections.
- **Global PRC Influence Trends Report:** A comprehensive document that outlines trends in the PRC’s influence on the digital finance and fintech sectors in emerging markets and the potential risks and harms for consumers as well as challenges for US and allied commercial and market competition.
- **Risk Assessment Framework:** A detailed framework that could be applied to assess PRC. influence and related risks for consumers and US strategic competition at a regional or country-specific level.
- **Recommendations for Regions/Markets for Piloting Risk Assessment Frameworks:** A brief memo that recommends regions/markets for piloting the risk assessment framework and provides justification for the choices.

Deliverable Schedule

Deliverables	Prospective Deadline
1) Outline of Global PRC Influence Report and Risk Assessment Framework & Interim Findings 2) Draft Global PRC Influence Report and	1) Month 4 2) Month 7 3) Month 9

<p>Risk Assessment Framework</p> <p>3) Final Global Analysis and Risk Framework after feedback from USAID team</p>	
<p>1) Draft list of recommendations for regions and/or markets for Phase 2</p>	<p>1) Month 8</p>

Phase 2: Regional/Market Analyses Using Frameworks

Once region/markets have been selected the research team will apply the risk assessment framework as a pilot using a mix of secondary and primary research. Secondary research might include but should not be limited to reviewing fintech industry reports and presentations, reviewing reports from regulatory agencies and bodies, reviewing both Chinese and country-level trade agreements or digital economy initiatives that might facilitate or reflect increased Chinese presence, tracking investment funding flows, and researching other business activity such as mergers, acquisitions, and partnerships. Primary research might include surveys of fintech and digital finance providers to understand their interactions with Chinese investors, regulations, and technologies, interviews with industry experts including fintech leaders, regulators, and policy experts, and (if budget allows) analysis of consumer awareness/sentiment. Travel to the selected markets, as budget allows, would be optional but encouraged.

A Note on the Data Collection Approach

It remains undecided whether the application data collection will occur at the regional or market level. The decision will depend largely on the type and availability of data. Some regions might have more granular, comprehensive datasets available, while others might only provide broader, high-level market data.

In their proposals, the research teams will need to demonstrate their understanding of the data landscape relevant to research objectives. They should explore and explain the availability of both regional and market-level data, offering insights into any limitations or opportunities that may arise from the specific data sources. By doing so, they can propose a tailored approach that reflects their assessment of the most practical and effective way to gather and utilize the data.

After the regional/market pilot analyses are completed, the research team will provide recommendations on how USAID could design and implement development programming to effectively mitigate or address the key risks posed by PRC influence in those markets independently as USAID, in concert with the interagency, and/or with the host country government, civil society, and other allied stakeholders (i.e. consumer protection groups, other donors, etc). USAID can facilitate meetings with in-country and regional staff to ensure alignment with overall USAID objectives as outlined in countries' Country Development Cooperation Strategies (CDCS) and Regional Development Cooperation Strategy (RDCS).

Phase 2 Deliverables:

- **Final List of Regions/Markets for Analysis:** This will be an updated version of the deliverable from Phase 1 after discussions with USAID.
- **Outline for market analysis (template):** This would be shared relatively early-on in order to align with the USAID team on how the document would be structured and to incorporate any feedback and course corrections.

- **Drafts of regional/market-level analyses and recommendations:**
- **Analysis for regions/markets with recommendations per market**

Deliverable Schedule

Deliverables	Prospective Deadline
1) Final list of regions/markets for analysis	1) Month 9
1) Outline for regional/market analysis 2) Drafts of regional/market analyses and recommendations 3) Final market analyses and recommendations for each region/market	1) Month 10 2) Month 15 3) Month 16

Phase 3: Final Brief and Recommendations

The final brief should integrate findings from Phase 1 as well as larger takeaways from the market pilot analysis in Phase 2. The brief should also include commentary on the utility of the assessment framework/comments on methodology and answer questions such as: Were there any major risks that the framework failed to uncover or underestimated? Were risks concentrated in a particular domain? Were there any false positives or risks that were less serious in practice? Which domain data and/or risks were hardest to detect or understand in given geographies and why?

Most importantly, the brief will contain an actionable recommendations section with potential responses that USAID, the interagency (particularly the DFC, USTDA, and Commerce), and the development community might consider.

Phase 3 Deliverables:

- Outline of final brief
- Draft final brief with recommendations
- Virtual/in-person Roundtable(s) to present and refine the results in Washington D.C. (USAID can put that together in terms of guest lists etc but the research team would need to be there to present)
- Final brief
- Socialization with the policy community (i.e. through think tank events, drafting articles/blogs excerpting key findings in prominent policy publications, etc)

Deliverable Schedule

Deliverables	Prospective Deadline
1) Outline of final brief 2) Draft final brief 3) Participate in roundtable 4) Final brief and accompanying PowerPoint Deck	1) Month 15 2) Month 17 3) Month 18 4) Month 18 5) Month 19 (flexible)

5) Socialization

C. Overview of Capacity Statement and Selection Process

USAID and LASER PULSE seek capacity statements (CSs). The applicants should meet the qualifications, expertise, and experience, and areas and roles identified in the eligibility and qualifications section below. We require all applicants to register on the LASER PULSE Network at:

<https://laserpulse.org/network/>

1. Qualifications

Capacity statements will be used to assess how well-qualified the research team leadership Team is to conduct the proposed activities. Capacity statements will be rated on the degree to which each team demonstrates the following capabilities:

- Significant experience in analyzing and monitoring digital financial ecosystems including both public and private investment and capital flows, conducting political risk assessments, and having knowledge of the PRC's economic foreign policy such as the Digital Silk Road.
- Publications or outputs that demonstrate previous experience and knowledge of relevant topics as listed above.

2. Eligibility

Individual applicants and teams must apply under an umbrella institution that can receive U.S. federal funds, i.e., an institution registered on <https://sam.gov/content/home> with a UEI number provided by the U.S. government, or an institution in the process of registration on <https://sam.gov/content/home> to acquire UEI (please read the requirements in the call). Applicants with an active SAM.gov registration will be given priority, though applicants with a SAM.gov application in process will also be considered.

- 3. Language Capabilities:** Deliverables will be written and meetings held in English, though preference will be given to research teams with Mandarin language capabilities.

4. Required Documents for Submission

Use the Capacity Statement Template provided. The CSs must be in English, with narrative portions prepared in Microsoft Word or Open Office format, using Calibri font, size 11, or similar typeset in single line spacing. They must include the following sections:

- Title: Assessing the People's Republic of China (PRC)'s Influence on Digital Finance and Fintech in Emerging Markets
- Contact details: Full name, position, affiliation, role on the project, and contact information. Include the Project Lead and all other collaborators on the team and their roles and responsibilities (For example, Co-Lead, sector technical expert, etc).
- Summary: Summarize the team's relevant expertise and interest in the research project. (one page)
- Workplan and management: Describe how the project team will accomplish the proposed activities, including the management structure for the research team (one page)
- Budget: Applicants must propose a high-level budget for accomplishing the activities described in the work plan. Budget not to exceed \$280,000.
- Applicants should join the LASER Pulse [network](https://laserpulse.org/network/) before submitting their application. They are encouraged to take the training on Gender and Research Translation and integrate its concepts into their proposals.

- Team background and relevant expertise: [Download and complete this worksheet.](#)
 - Tab1: Please complete for all members of the Project Leadership Team
 - Tab2: List up to 15 publications/outputs that demonstrate experience relevant to the request in this call for capacity statements. Research outputs should involve primary or secondary data collection. Outputs may include peer-reviewed publications, conference papers, presentations, working papers, journal articles or online publications.

5. Capacity Statement submission information and deadline

- Applicants should submit their (1) Capacity Statement and (2) Project Leadership Team background and relevant expertise through Qualtrics at this link (https://purdue.ca1.qualtrics.com/jfe/form/SV_5dRYK0x96pUrq6i) by December 19, 2024 at 5:00 pm EDT. Items to submit include: Capacity Statement with required documents listed under Section 4: Required Documents for Submission except the Leadership Team background and relevant expertise workbook, which must be submitted as a separate .xlsx file. All the rest of the documents should be combined into one PDF file.
- Prospective applicants can submit any questions concerning the call for capacity statements. Questions should be sent to laserpulse@purdue.edu with the Subject Line: "Questions for LASER PULSE Assessment for Foreign Influence on Digital Financial Ecosystems". Questions should be received no later than November 26, 2024 at 5:00 pm EDT. Responses will be posted on the LASER Pulse website by December 5, 2024.
- Announcement of finalist teams (estimated at 2-3 research teams) will be released on January 8, 2024. Finalists will be expected to meet (virtual or in person) with the USAID team to discuss their approach and proposal.

6. Capacity Statement Review: LASER PULSE and the USAID team will review all capacity statements. The submitted CSs will be evaluated for eligibility by LASER PULSE before review by USAID. Capacity statements will be rated on the degree to which each Research Leadership Team demonstrates the following capabilities:

- Relevant subject-matter expertise.
- Publications on relevant topics.
- Meaningful engagement of researcher(s) with primary institutional affiliation(s) in a low- or middle-income country (LMIC) preferred.
- Cost will be considered among technically similar proposals USAID will use the above criteria to select a research team for this activity.