CBY FinTech Sandbox Project

March-October 2026

1 Background

While ongoing initiatives are strengthening payment infrastructure, Central Bank of Yemen (CBY) faces acute constraints in onboarding users, supervising a fragmented market, financing productive sectors, and preparing the ground for access to finance. CBY currently oversees hundreds of exchange houses through manual field inspections, an estimated 50% of the population lacks the ID documents needed to open a bank account, and a booming solar energy market (an estimated $1B+ in citizen-led investment) remains entirely outside the formal credit system. An R&D facility provides a low-risk way to build institutional capacity, test innovations, generate evidence, and inform future policy and investment decisions - without committing to permanent regulation prematurely.

2 About Project

UNDP is launching a new initiative for the Central Bank of Yemen (CBY) aimed at facilitating fintech innovation. This initiative, called the Fintech Sandbox Project, supports financial inclusion by developing advanced pilot tools and assisting fintech entities in developing and piloting their solutions for the financial sector under CBY's oversight. Crucially, the Fintech Sandbox serves as the foundational step for Financial Inclusion & Fintech Innovation to operationalize CBY modernization agenda.

To achieve these objectives, the Sandbox initiative focuses on three core operational pillars:

- **Enhancing the Sandbox Operating Environment in CBY:** Establishing the structural governance, operational manuals, and secure IT infrastructure (including enterprise servers and a digital Sandbox Portal) required to safely manage and monitor sandbox participants.
- **Developing Technologies:** Designing and launching targeted pilot technologies, such as Unified QR standards and SoftPOS solutions, that support the use and operation of the broader Yemeni Payments Infrastructure Systems.
- **Organizing a Fintech Hackathon:** Cultivating local innovation by hosting a competitive hackathon to train local entrepreneurs, test new ideas, and pilot the winning financial solutions directly through the Sandbox Lab.

As a standalone intervention, UNDP will ensure this new initiative directly complements and adds strategic value to the ongoing World Bank-funded Yemen Financial Market Infrastructure and Inclusion Project (FMIIP), which is also implemented by UNDP for the CBY. The Sandbox will be an accelerator for FMIIP interventions through: (i) test RTGS/FPS operational and compliance scenarios before scale-up; (ii) fast-track Component 3 inclusion use-cases (e.g., SoftPOS/QR merchant acceptance, digital onboarding).

2.1 Project Objectives

Overall Objective:

To establish and operationalize a dynamic Sandbox at CBY that serves as a safe, controlled environment for testing digital financial innovations, thereby accelerating financial inclusion and catalysing Yemen’s transition toward a cashless, digital economy.

Specific Objectives:

1. **Enhance Regulatory and Institutional Capacity:** To equip CBY with the necessary structural governance, digital tools (such as the Portal and Enterprise Server), and operational frameworks required to actively monitor, evaluate, and supervise emerging fintech solutions.
2. **Accelerate Digital Financial Inclusion:** To lower barriers to formal financial services for unbanked populations and MSMEs by live-testing accessible, low-cost technologies, specifically focusing on Unified QR standards and SoftPOS solutions.
3. **Stimulate Local Fintech Ecosystem:** To foster local tech entrepreneurship and market innovation by hosting a Fintech Hackathon, which will identify, train, and integrate viable homegrown financial solutions directly into the CBY Sandbox for market piloting.
4. **Lay the Foundation for Advanced Regulation:** To utilize the insights and live-testing data generated within the Sandbox as the evidence base for drafting future national policies and transitioning toward a permanent, full-scale Regulatory Sandbox framework.

3 Project Activities

3.1 Preparation, Inception, Staffing, Formalities.

This initial phase, spearheaded directly by UNDP, focuses on laying the administrative and strategic foundation of the project starting in March. It involves formalizing the necessary operational agreements with the Central Bank of Yemen (CBY), mobilizing the core project team by recruiting a specialized international Consultant in addition to another local consultant. During this phase, inception reports will be finalized to ensure all stakeholders share a unified vision and roadmap for the Sandbox rollout.

3.2 Enhancing Sandbox Operating Environment at CBY

Running from March through June, UNDP will oversee the physical and technical equipping of the dedicated Sandbox space within CBY. This logistical activity ensures the Central Bank has the requisite hardware to run a secure testing environment. It includes the procurement and installation of a robust Enterprise Server to host secure data, alongside equipping the workspace with essential PC units (laptops/screens) and appropriate office furniture for the Sandbox Unit staff.

3.3 Sandbox Products & Solutions

- From April through August, UNDP will manage the complete lifecycle of the digital Sandbox Portal. This activity covers drafting the technical requirements, designing the user interface, and developing the secure backend system. The portal will serve as the primary digital gateway for fintech firms to submit applications, and for CBY to monitor live testing and evaluate compliance.
- **Unified QR & SoftPOS Software Pilot:** Spanning a crucial six-month window from April to September, this activity represents the first live market test under the Sandbox support. UNDP will coordinate the design, licensing, and deployment of a SoftPOS solution and Unified QR payment standards. This pilot aims to demonstrate how digital tools can rapidly onboard merchants and drive cashless transactions without the need for expensive traditional hardware.

3.4 Fintech Hackathon Event Planning & Execution

This is an extensive, multi-stage initiative spanning from March through September, jointly implemented by UNDP and a designated organizing partner. The activity encompasses designing the hackathon challenges, hosting preparatory workshops for local fintech

entrepreneurs, and managing the main event. It culminates in the technical evaluation of the proposed solutions, with the ultimate goal of transitioning the winning innovations directly into the Sandbox for live piloting.

4 Fintech Hackathon: Design and Implementation Strategy

Period: April – September 2026

The Fintech Hackathon is designed not just as a standalone event, but as an "innovation pipeline" to source, train, and integrate viable local fintech solutions directly into the CBY newly established Sandbox.

The implementation of the Hackathon will be executed across five distinct phases:

4.1 Phase 1: Strategic Design & Ecosystem Engagement

- **Defining Problem Statements:** Collaborate with CBY and UNDP to define specific, real-world financial challenges in Yemen. Themes will focus on financial inclusion, such as building e-KYC solutions for rural citizens, micro-lending platforms for MSMEs, and offline digital payment tools.
- **Framework Development:** Draft the rulebook, intellectual property guidelines, and the evaluation matrix that the judging panel will use to score participants (weighing innovation, technical feasibility, and regulatory compliance).
- **Partner Onboarding:** Engage local ecosystem stakeholders, including commercial banks (at least one), telecom operators, and universities in Aden, to act as sponsors, mentors, or data providers (e.g., providing mock APIs for developers to test against).

4.2 Phase 2: Call for Applications & Screening

- **Outreach Campaign:** Launch a targeted marketing campaign across universities, tech hubs, and youth networks to attract local developers, business students, and fintech startups.
- **Application Gateway:** Utilize the newly developed Sandbox Portal (or a dedicated microsite) to accept applications. Teams will be required to submit a brief concept note outlining the problem they are solving and their proposed technological approach.
- **Shortlisting:** A technical committee will review all submissions and select a shortlist of the top 2–5 high-potential teams or fintech developers to advance to the next stage.

4.3 Phase 3: Pre-Hackathon Bootcamp & Mentorship

- **Capacity Building:** Recognizing the nascent state of the local tech ecosystem, shortlisted teams will undergo a mandatory one-week training bootcamp prior to the main event. This will be delivered by the international consultant.
- **Specialized Workshops:** The International Consultant as well the local one will deliver sessions on CBY regulatory compliance, business model generation, secure coding practices, and effective pitching.
- **Mentorship:** Each team will be assigned a mentor (a mix of IT experts, bankers, and regulatory officials) to help them refine their concepts into workable prototypes or develop their products further.

4.4 Phase 4: The Main Event & Pitch Day

- **The "Hack":** A one day intensive working session where teams finalize their coding, build their Minimum Viable Products (MVPs), and prepare their presentations.
- **Demo Day:** Teams will pitch their prototypes to a high-level judging panel consisting of Tech specialists, CBY leadership, UNDP representatives, and private sector CEOs.

- **Awarding Winners:** The panel will select the top solutions (Maximum 3 winners) based on the predefined criteria. Winners will receive seed-funding prizes provided by the project budget to further develop their technology.

4.5 Phase 5: Post-Hackathon Sandbox Lab Integration

- **Transition to Pilot:** The hackathon does not end at the award ceremony. The winning fintech developers will be officially admitted into the CBY Sandbox Lab.
- **Live Testing:** Under the supervision of the newly established CBY Sandbox Unit, the winners will use the Lab's safe environment to live-test their applications, finalizing their products for eventual licensing and deployment in the broader Yemeni financial market.

5 Project Work Plan (March – October 2026)

Component & Key Activities	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Component 1: Inception & Technical Advisory								
1.1 Mobilization of International & Local Consultants								
1.2 Drafting Lab Governance & Operational Manuals								
Component 2: Enhancing Sandbox Operating Environment								
2.1 Procurement & Installation of Enterprise Server								
2.2 Setup of PC Units & Office Furniture at CBY								
Component 3: Sandbox Products & Solutions								
3.1 Unified QR & SoftPOS Software Pilot (Launch & Testing)								
3.2 Sandbox Portal Design, Development & Launch								
Component 4: Fintech Hackathon & Innovation Pipeline								
4.1 Ecosystem Engagement & Call for Applications (in coordination with local hosting partners such as the University of Science and Technology)								
4.2 Pre-Hackathon Bootcamp & Mentorship								
4.3 Main Hackathon Event & Pitch Day								
4.4 Post-Hackathon Integration & Live Piloting in the Lab								