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Unlocking Public and Private Finance for the Poor

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BigFintechs could make bold social & environmental contributions in developing countries but only if new governance models are adopted, says a new UNDP/UNCDF study

The study proposes 5 principles for designing BigFintech governance models that support sustainable development

Geneva, November 30, 2021— Global digital finance platforms or "BigFintechs " are weaving sectors together across the world in ways that make the breadth of their impacts on the labour conditions, environment or well being of consumers difficult to assess. Bold governance mechanisms are required to secure BigFintechs contributions to the Sustainable Development Goals according to the study *A principles-based approach to the governance of BigFintech*.

Amazon's decisions affect 1.6 million active sellers worldwide, of which 300,000+ are in developing countries and 850,000 rely on this BigFintech as their sole source of income. The recent outages faced by Meta (Facebook and its social media platforms) affected more than our ability to chat: millions rely on these social commerce platforms for their income and livelihoods.

Positive impacts include deepening financial inclusion and digital livelihoods. Yet these can be overshadowed by negative outcomes ranging from tax base erosion to crowding out local SMEs, worsening work conditions for digital workers, negative environmental impacts, widening inequalities, and negative impacts on macroeconomic and monetary policies. For instance, ride-hailing services such as Uber, Grab and Careem support financial inclusion and create many local jobs in developing economies, but they also contribute to 69% more pollution and poor working conditions. By 2030 e-commerce, while supporting SME growth, will likely be responsible for a 36% increase in delivery vehicles on the road and a 30% increase in greenhouse gas emissions.

"Navigating SDG trade-offs brought on by BigFintechs is complex. Our current regulatory toolkit lacks more robust references to sustainability and more accountability of market players. This means that developing countries are unable to fully seize the potential of digital finance to help them achieve their sustainable development goals. The Dialogue is now working to equip many countries with such tools and knowledge, to reposition sustainability at the center of BigFintech governance and to put their sustainable development destiny in their hands," added Preeti Sinha, Executive Secretary, UNCDF.

Current responses to these new challenges involve combinations of data governance, antitrust actions and stricter financial compliance requirements. The EU is advancing its Digital Services Act package, the UK has established a code of conduct for tech platforms, China has introduced a series of measures to compartmentalize financial and non-financial activities of BigFintechs and create a level-playing field. Authorities in the Unites States have filed several antitrust actions against BigFintechs.

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UNDP and UNCDF in the new study *A principles-based approach to the governance of BigFintech* argues that these measures are fragmented and disconnected from the broader SDG/ESG debate. The study calls for a much more ambitious and convergent approach across regulatory domains, highlighting five principles upon which policy makers, regulators and BigFintechs can build a governance aligned with sustainable development. Their uptake is critical to reaching many of the SDGs.

The Principles promote collaboration between regulators from different domains and markets, more corporate accountability, proper enforcement and oversight as well as greater overall commitment to sustainable development.

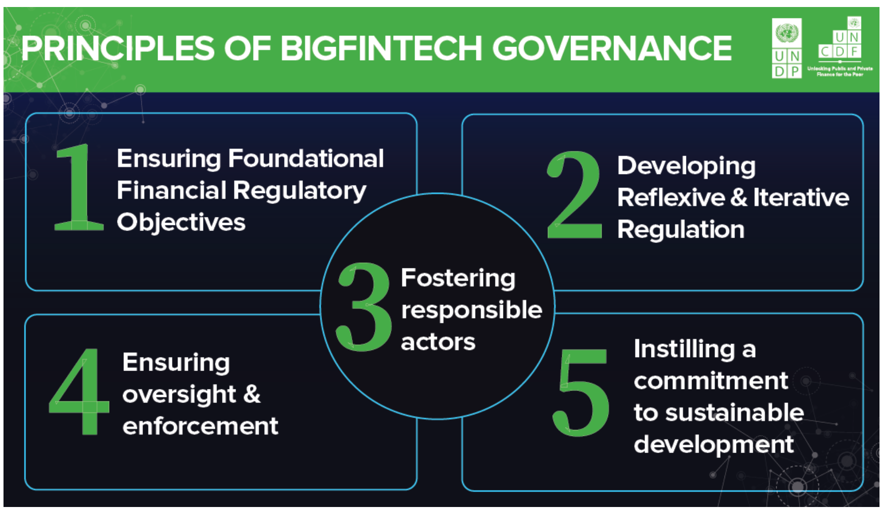

Image: The 5 Principles, view the Principles and Sub-Principles online, read the full paper

"The rapid technological change now happening means that many governments are struggling to keep up with the growth and reach of big FinTech companies -- and understandably so," says UNDP Administrator Achim Steiner. "These straightforward Principles can be leveraged by developing countries to help ensure that BigFinTechs play a more active role in channeling much-needed resources towards the Global Goals -- our internationally agreed plan to tackle the immense challenges our planet now faces including climate change, poverty and the continued degradation of our natural world."

The necessary convergence of BigFintech governance and sustainable development will be discussed by a panel of experts at the Building Bridges Week in Geneva on Tuesday 30th November, also available to watch via livestream.

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Link to the study: https://www.undp.org/sites/g/files/zskgke326/files/2021-10/UNDP-UNCDF-TP-3-3-A-Principles-based-Approach-to-the-Governance-of-BigFintechs-EN.pdf

The event 'BigFintechs & Sustainability: A Necessary Convergence' is fully booked but it will be livestreamed to the public: https://youtu.be/HFL0m4IGtHg

Principles for BigFintech Governance webpage: https://sdgfinance.undp.org/digital-finance/principles

Background:

The Dialogue on Global Digital Finance Governance established to explore these topics, produced a series of Technical Papers that bring new,complementary perspectives on the nexus of BigFintechs, sustainable development and governance.

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UNDP is the leading United Nations organization fighting to end the injustice of poverty, inequality, and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and planet.

UNCDF makes public and private finance work for the poor in the world's 46 least developed countries (LDCs). With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.