

# The Role of Cryptocurrency and Digital Cash in Building the Digital Economy

Friday 03 June 2022



The Commonwealth

# Commonwealth Connectivity Agenda

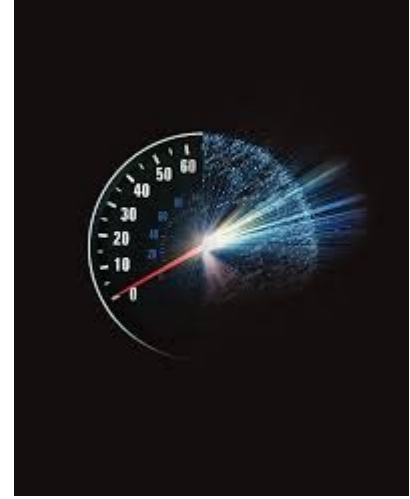


Commonwealth Leaders adopted the Commonwealth Connectivity Agenda (CCA) at CHOGM in April 2018, with a view to boosting trade and investment links across the Commonwealth and raising intra-Commonwealth trade to US\$2 trillion by 2030. The CCA is structured around five (5) clusters/working groups, each of which is chaired by a member state and in which members participate on a voluntary, opt-in basis.

- **Physical Connectivity** focusing on digital infrastructure and led by The Gambia
- **Digital Connectivity** focusing on digital transformation and the digital economy and co-led by South Africa and United Kingdom
- **Regulatory Connectivity** focusing on the regulatory environment for MSMEs and led by Barbados
- **Business-to-Business Connectivity** focusing on improving Commonwealth business links and led by Bangladesh
- **Supply Side Connectivity** focusing on participation and upgrading of MSMEs in agribusiness value chains and led by Vanuatu

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- **Digital Trade** encompasses digitally-enabled transactions of trade in goods and services that can either be digitally or physically delivered, and this involves consumers, firms, and governments
- ICT services form the backbone of digital trade, providing the necessary network infrastructure.
- Underpinning digital trade is the movement of data. Data is also at the core of new and rapidly growing service supply models such as Cloud Computing, the Internet of Things (IoT), AI, Big Data etc
- **Digital Currencies** are available in digital or electronic form and can enable instant transactions that can be seamlessly executed across borders. This can be a real game changer in the transformation of the global digital economy.



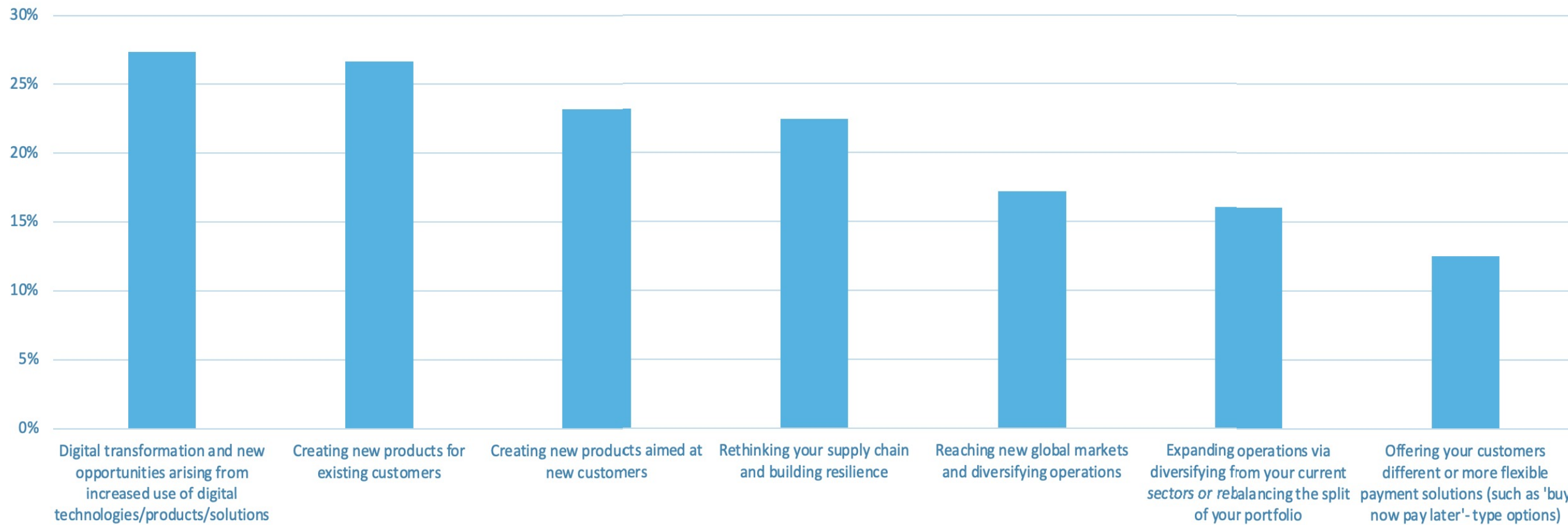
# Disrupting Disruption Through Disruptive Technology

- The novel coronavirus disease (COVID-19) presented an unprecedented challenge to many countries. The policy responses to the pandemic such as quarantines, lockdowns, social distancing, export restrictions, border controls, curfews and travel bans have had a substantial impact on businesses, supply chains, and economies by significantly disrupting trade.
- Recent disruptions to global supply chains have also demonstrated the need to make payment systems more resilient against shocks as well as the power of digital technology to enable individuals and businesses to cope with the ensuing crisis, while simultaneously shepherding governments to explore new and creative methods to deliver public services.
- COVID lockdowns forced more transactions online and increased the use of e-commerce and online solutions.
- Increased use of digital financial services has been the lifeline for many businesses that has resorted to the use of fintech in order to thrive and survive

# Post Covid, the Biggest Opportunities are Digital

Source: Santander Trade Barometer, Spring 2021, n = 1004

Opportunities from Covid in next 12 months





# Digital Currency & the Digital Economy



- It fosters dynamism of entrepreneurial activity by allowing firms to bring new products and services to a larger number of digitally-connected customers across the globe. Digital currency users often represent a more cutting-edge clientele that values transparency in their transactions.
- It also enables firms, notably smaller ones, to use new and innovative digital tools to overcome barriers to growth
- The adoption of new business models has given rise to more complex international trade transactions and policy issues
- Transactions are carried out directly between different owners of electronic wallets, which helps to increase the speed of transactions and reduce fees;
- Governments are facing new regulatory challenges in ensuring that the opportunities and benefits from digital trade can be realised

# Central Bank Digital Currencies



A Central Bank Digital Currency (CBDC) is the digital form of a country's fiat currency that is also a claim on the central bank. Instead of printing money, the central bank issues electronic coins or accounts backed by the full faith and credit of the issuing government

- The Caribbean is certainly at the forefront of modernization of the financial payments sphere with the launch of the Bahamian Sand Dollar as well as Dcash by the Eastern Caribbean Central Bank (ECCB)
- CBDC's promises the speed and other benefits of cryptocurrency without the associated risks and very importantly can serve as a driver for innovation and accessibility
- CBDC's have the potential to enhance the efficiency of cross-border payments

# Caribbean Challenges to Market Adoption



- Lack of awareness and trust in the potential of e-commerce and cultural aversion to the use technology
- Absence of broadband infrastructure coupled with high cost of internet and digital devices
- Low access and use of internet as well as poor digital literacy and skills
- Lack of access to finance to afford infrastructural expansion as well as adequate cybersecurity
- Poor enforcement of consumer protection regulations
- Complex cross-border trade and administrative procedures coupled with stringent regulatory requirements
- Lack of harmonised customs rules and procedures and e-transactions frameworks

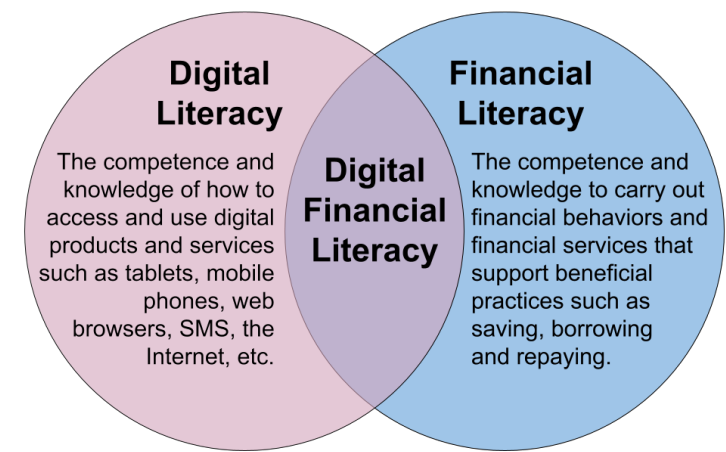


# Digital Financial Inclusion



- Few people and small businesses in developing economies fully participate in the formal financial system; some 2 billion individuals and 200 million small businesses lack access to formal savings and credit.
- Digital financial services can fill a gap left by banks that are unable or unwilling to service those at the bottom of the wealth and income scales. They are often driven by nonbank financial institutions aiming to offer the financially excluded an alternative to cash as a means of payment and transfer.
- Digital Identities that allow for Financial Inclusion and Access to Finance, Credit Checks and Customer Due Diligence
- Mobile financial services have empowered consumers to interact with a human agent in real time—a hybrid DFS model that has helped to overcome some mistrust of digital systems by giving technology a human face
- Digital cash solutions have enabled peer-to-peer (P2P) payments systems that eliminate some of the conventional functions of the banking system and hence lower costs

# Building Digital Skills & Financial Literacy



It is important to remove the veil of mistrust and fear of digital displacement through Digital Financial Literacy.

- Develop a framework for a digital economy ready workforce, digital skill training and change management
- Promote social awareness and acceptance among consumers and the general population
- Capacity development for the business sector, to enable wider adoption of business technologies
- Promote social awareness and acceptance among e-commerce operators and platforms
- Promotion of the development of open data policies to enhance business application development

# Legal Framework: Overcome Digital Islands/Siloes



- In an e-trade assessment for LDCs, UNCTAD (2019) confirms that lack of trust is a critical barrier to the uptake of e-commerce payments. Updating e-commerce legislation and regulations can build online consumer trust, facilitate financial inclusion and be the key to unlocking digital trust for e-commerce in many developing Commonwealth countries
- A wholistic approach towards legal integration should be undertaken in creating a cyber-secure environment for e-commerce transactions. From the development of overarching legislation in relation to FinTechs, Digital Assets and e-Commerce to building out omnibus legal frameworks (payment system legislation, cybercrime, data protection, cross-border data flows, competition, consumer protection, electronic transactions, electronic payments, electronic transferable records secure transactions, dispute resolution)  
[https://uncitral.un.org/en/texts/ecommerce/modellaw/electronic\\_transferable\\_records](https://uncitral.un.org/en/texts/ecommerce/modellaw/electronic_transferable_records)
- Establish concurrent legislative implementation plan to effectively bring together all necessary stakeholders



Legal Repository: <https://tradecca.thecommonwealth.org>



# Public Private Sector Cooperation



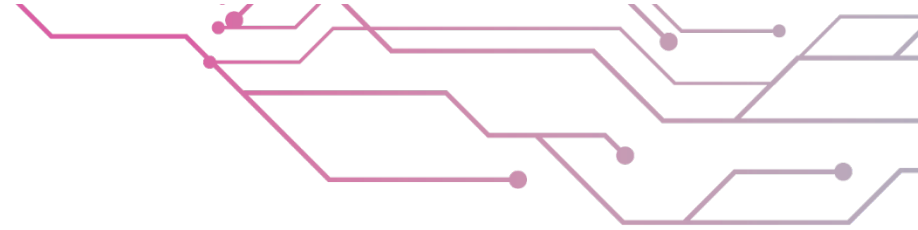
- Digitalization has transformed our society into a system of systems whereby critical functions are distributed between public and private stakeholders with complex interdependencies. Public- private sector cooperation on bridging the digital divide and financial inclusion requires thinking outside of traditional and rigid formats to overcome barriers and become truly effective
- Cooperation with the private sector [financial institutions, telecommunications service providers, Internet Service Providers, Social Platforms] is critical.
- The public sector stakeholders play a key role in building an enabling environment in terms of legal framework as well as building digital capacity and enforcing e-commerce regulations.
- Private sector players on the other hand provide the necessary investment required to grow e-commerce
- Payment Infrastructure Development: Partnership with the private sector in infrastructural development is key



# Future of Digital Currencies In Digital Economies



- Greenfield opportunities can be developed using fact based research and customized domestic solutions that can lead to greater regional integration
- It is essential to ensure that crypto and digital currency offerings are tailored to the individual socio-economic needs of each country in order to be resilient and scalable
- Political will substantiated by implementation of the requisite legal, infrastructural and financing mechanisms, policy action and development of supporting regulatory framework
- Engage in holistic programmes to build the national digital economy, involving legal reform, and policies to promote inclusion and equal opportunities, that is supported by trade facilitation enabling systems such, as Single Windows, Digital IDs and digital payments as well as mechanisms to address physical obstacles to trade in order to close existing gaps.
- Promote sensitization and trust building as a means of making sure that there is acceptance of crypto and digital currency and digital trade solutions.



***Thank You***

***For Your Time & Attention***