

FOREWORD

As the world still struggles to confront the COVID-19 pandemic and its dire consequences, there is no doubt that technology has fundamentally reshaped our day to day lives. Technology has changed how children are taught, jobs are created, health services are delivered, traders do business, farmers get access to information, financial services are delivered, and the list goes on. Technology has enabled us to stay connected socially, professionally and as consumers. Innovations that were nascent or slow to pick up are now integrated into our everyday lives, while also shaping new pathways to progress and development.

Despite the positive and promising outcomes that have and are continuing to emerge, there is a growing concern that such outcomes will not be inclusive; particularly for the underserved communities in the world's 46 least developed countries (LDCs). During the COVID-19 response, many LDCs were not able to pivot their economies and education systems online and marginalized populations like women, youth, migrants, people with disabilities and smallholder farmers suffered and are still suffering the most. People living in the world's last mile need our attention more than ever, specifically to avoid a 'lost decade' of development as the UN warned in the Financing for Sustainable Development 2021 report.

LDCs are united in their need for more infrastructure and investment to participate in the new digital economy and its promising foundations for progress. At the same time, the possibility to develop the infrastructure could very well emerge at scale and at an affordable cost. In short, the opportunity for a digital transformation has emerged, specifically by leveraging a market systems development approach that creates an ecosystem for an inclusive digital transformation for the people and

communities in the LDCs. But taking advantage of this opportunity requires a concrete set of actions to enable a transformation that spurs development and contributes to the SDGs: policy changes, modern infrastructure and open systems, private sector development and innovation as well as digital skills development in LDCs.

For over a decade, our UNCDF team has engaged and supported the digital finance ecosystem and the diverse array of companies and institutions that can support the digital transformation we seek: telcos, banks, microfinance institutions, fintech companies, ministries, regulators, donors, and peer UN agencies. UNCDF's initiatives in digital financial inclusion, which has connected 18 million people in Africa, Asia and the Pacific, is now the foundation for our team and our partners to approach the next level: leveraging digital payments to provide much-needed services in energy, health, education, business management and e-commerce among other fields. Accessing financial services is a necessary step to moving out of poverty. To reach the next level, we need to connect these essential services to digital financial services and payments.

In this paper, the UNCDF team shares its analysis and use cases that feed our vision of building digital economies in LDCs that leave no one behind. This analysis and vision are built on our growing experience in digital services, in collaboration with multiple partners from the public and the private sector as well as international organizations and the UN system. The portrait this paper presents would not be complete without the views and contributions from the stakeholders that support such ecosystems. Hence, UNCDF invited its partners to contribute and we are honored to include their perspectives on the topic of building inclusive digital economies.



In gathering a variety of authoritative voices, our report seeks to address and answer a variety of questions. How is the growth of digital finance leading to the emergence of digital economies and creating more opportunities to fast track the achievement of the SDGs? What is a market development approach and what role does it play in accelerating the development and adoption of digital finance? How is data enabling policy change as well as product improvements? What will it take to leave no one behind and who needs our attention most? How are digital financing innovations revolutionizing ways to finance the SDGs?

UNCDF sees huge opportunities for businesses to serve those being left behind. New business models are emerging in a range of sectors, including agriculture, energy, education, entrepreneurship, health and transport, targeting previously excluded populations with affordable and accessible services. In this paper, you will learn how these services can allow people to lead more resilient and secure lives. And importantly, how these services are not merely viable, but represent sound business opportunities.

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A handwritten signature in black ink, appearing to read 'P. Sinha', with a horizontal line underneath.