

Economy, Enterprise

UNICEF invests in blockchain startups for financial inclusion

UNICEF Venture Fund is awarding up to \$100,000 to blockchain startups, including India's GovBlocks, in its latest funding round. Here are the other projects.

By Michelle Lim · June 9, 2021 · 4 minute read



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To help the masses around the world who still don't have access to financial services, the [UNICEF Venture Fund](#) is investing in seven blockchain startups in six countries, including Kenya, Argentina, India, Mexico, Rwanda and Nepal, according to a UNICEF announcement today.

The seven companies — selected from 450 submissions in 77 countries — will receive up to US\$100,000 in seed funding, with five of the seven choosing to receive a portion of the investment in Ether. Five of the startups are also female-led.

An estimated [1.7 billion people](#) around the world remain “unbanked” and do not have access to basic financial services, such as a bank account, according to the World Bank's latest figures.

The startups — Argentina's Xcapit, India's GovBlocks, Mexico's BX Smart Labs, Rwanda's Leaf Global Fintech, Nepal's Rumsan and Kenya's Grassroots Economics and KotaniPay — are working on blockchain-enabled solutions toward greater financial inclusion, ranging from providing access to payments and remittances, community currency, loans and investment opportunities for underserved communities as well as decentralized decision-making tools.

The [UNICEF Venture Fund](#) has been making investments into early-stage projects around the world to support innovative solutions to local and global challenges since 2016. [UNICEF's CryptoFund](#) — a pooled fund of Bitcoin and Ether part of UNICEF's Innovation Fund — also allows UNICEF to receive, hold, and disburse cryptocurrency.

[See related article: UNICEF has invested in 100 startups. Could your blockchain project be no. 101 — and receive funding in crypto?](#)

Blockchain bringing financial inclusion

"COVID-19 has impacted children and their communities, and many around the world will continue to see their lives disrupted significantly. We can see how important inclusive and affordable digital solutions are, including those that open access to financial systems and services," said UNICEF Ventures Lead, Sunita Grote, in a statement. "As we look into building back better, we need to tap into and support innovators and problem solvers to ensure systems are transparent, efficient, and decentralized — and that they include the traditionally underserved."

Cecilia Chapiro, investments lead at UNICEF's Innovation Fund and CryptoFund, told *Forkast.News* in an interview that emerging technologies such as blockchain could provide solutions that can improve the lives of children and help bring financial inclusion in developing countries.

One of the startups, India-based GovBlocks, is building a protocol for decentralized governance that provides blockchain-based voting for Decentralized Autonomous Organizations (DAOs) and decentralized applications (DApps).

"Protocols and ownership economies that are getting created on blockchain platforms like Ethereum, Polygon and a lot of other ecosystems often require the community to vote on critical decision-making — whether it is about upgrading the technology, taking financial decisions for the protocol, there are many decisions which the community as a whole has to take together," Ish Goel, co-founder of GovBlocks told *Forkast.News* in an interview. "GovBlocks is a protocol that helps different teams take these decisions in a very pragmatic on-chain voting mechanism."



GovBlocks is used by two Ethereum based DAOs — Nexus Mutual, a decentralized alternative to insurance, and PlotX, a cross-chain prediction market protocol for crypto traders, which recently — for their on-chain governance.

For example, Nexus Mutual's US\$400 million worth of total value locked is governed by the GovBlocks smart contracts and the Nexus community, and it has created and voted on 149 governance proposals using GovBlocks to date. Nexus Mutual holds its members' funds in a common pool and uses the funds as a pool of capital to pay claims arising from the provision of Smart Contract Cover to its members. Nexus Mutual members can decide on how the mutual operates by voting on revisions to its code.

India's DeFi and DAOs gaining momentum

Goel said India's decentralized finance (DeFi) and DAO ecosystem is "booming," with projects like Polygon, an Ethereum layer 2 scaling solution, leading the innovation.

GovBlocks is built on the Ethereum blockchain and Goel said the startup intends to use the UNICEF grant to scale its technology and expand to the India-based Polygon. Apart from Ethereum's high transaction costs, demand was another reason. "The need to shift to a layer 2 is because a lot of projects are now building on layer 2 solutions and they all need governance solutions," Goel said.

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He added that protocols and DApps built on Polygon need governance solutions but don't have an option today and are running with multi-signature wallets or a single wallet. "If you're building a decentralized application, there has to be a certain amount of decentralization at the top as well. You can't just expect the community to be decentralized, but the founding team also has to embrace the decentralization aspect of building in crypto," Goel said.

"People have slowly realized that things are moving away from institutionalized control to community control," Goel said. "Trust has shifted from intermediaries to smart contracts, and DAOs are making decisions nowadays."

According to ConsenSys' Q1 2021 DeFi report, DAOs are emerging as a new mechanism for NFT ownership, where DApps and smart contracts facilitate community-led NFT acquisitions.

The backbone of successful DAOs, such as Uniswap, is a thriving community, said Goel, adding that a community-first approach, visionary leaders and investors who buy into the concept of "exiting to the



“What is changing now in the crypto ecosystem is that founders now instead of exiting to the venture capital firm, they exit to the community.”

Despite their rising popularity, it is still early days yet for DAOs. The biggest barriers to entry for DAOs has been transaction costs, but layer 2 solutions are solving the issue, Goel said. “We will see in 2021 and onwards that transaction costs will no longer be discussed when it comes to blockchain and crypto.”

The lack of regulatory support was another barrier to entry, Goel added. “The innovation needs to get some respect from the regulatory authorities,” Goel said. “The regulatory part needs more effort, but I’m sure we’ll get there.”

UNICEF’s Chapiro says more people also need to get involved with the technology. “There’s so much potential of [blockchain] technology to be used in the social sector, but what we need is more explorations, more people really wanting to embark on this journey and wanting to explore and generate evidence of the potential of these technologies for social impact.”

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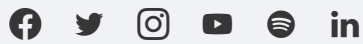
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