Tech Governance and Participation for Regional Digital Regulation Sandboxes

Moderator: Mei Lin Fung, Co-Chair, People Centered Internet

The inherent strength of the Internet lies in its decentralized participative nature, and we believe that the development of digital regulation should mirror this ethos, prioritizing a people-centered and bottom-up approach. To this end, our focus turned to exploring innovative strategies for cultivating regional tech governance. In this panel, we aimed to delve into actionable methodologies that can facilitate the seamless integration of this approach through the medium of cross-sector digital regulation sandboxes.

The initial event on this topic took place as part of the event of the UN Science Summit Sessions on "Key Challenges and Objectives for Digital Cooperation, Governance and Regulation" (Link to recording). The 9th edition of the Science Summit around the 78th United Nations General Assembly (SSUNGA78) took place from 12-29 September 2023. The People Centered Internet (PCI) organized nine sessions in conjunction with the International Science Council from Sept 20-22 to discuss the future of digital in achieving the SDGs. The sessions took a people centered approach; this means to discuss how scientific and digital collaboration can only be advanced through human feedback loops. The People Centered Internet sessions explored the parameters of this approach focusing on specific use cases where this is needed to achieve the SDGs and discussing the recommended enabling policy, regulatory, and financial environments, that are required to support genuinely global scientific collaborations across continents, nations, and themes. Speakers from each panel summarized the most important results in a stocktaking (Link).

Speakers

- Virgilio Almeida, Faculty Associate, Berkman Center for Internet & Society at Harvard University
- Julia Bardmesser, Chief Executive Officer, Data4Real, Chair of Technology Advisory Council, Women Leaders in Data & AI
- Maarten Botterman, Board Director, ICANN
- Arvind Gupta, Head, Digital India Foundation
- Ralf Herbrich, Managing Director, Hasso-Plattner-Institute
- Victoria Nguyen, Co-Founder, Deep Surgery
- Moshe Vardi, University Professor in Computational Engineering, Rice University
- Katerina Yordanova, Senior Legal Expert, KU Leuven

Further Contributions

The Regulatory Sandboxes - changing the way we regulate technologies

- Katerina Yordanova, Senior Legal Expert, KU Leuven

Summary of Tech Governance and Participation for Regional Digital Regulation Sandboxes

Prepared by Christine Asjoma, Convenor of the Panel Series "Key Challenges and Objectives for Digital Cooperation, Governance and Regulation"

Panel 6 delved into the world of Tech Talk. The aim was to discuss innovative strategies. In particular, it was about the use of AI to promote and support regional tech governance and the establishment of cross-sectoral sandboxes for digital regulation.

After Ralf Herbrich emphasized the importance of AI applications such as ChatGPT to support and not replace humans, Moshe Vardi set the tone for our discussion on technology and human interaction. He urged us not to allow advanced technologies to shape our human values, but rather to advocate for the Internet to be people centered in the opposite way.

On the way to this people centered Internet, Arvind Gupta emphasized the need for a bottom-up approach to Internet development. He emphasized the importance of empowering the less privileged and promoted the idea of a digital public infrastructure that focuses on identity and data control to prevent a concentration of power in a few corporations. Katerina Yordanova added that regulatory sandboxes are essential and argued for a change in the regulatory approach to adapt to rapid technological change. Katerina Yordanova added that regulatory sandboxes are essential and argued for a change in the regulatory approach to adapt to rapid technological change. She emphasized that the debate should focus on how to regulate effectively and not on whether to regulate.

She also pointed out problems in the EU and suggested alternative incentive systems. For example, the provision of synthetic data, as the EU is not able to relax regulatory requirements as Singapore can. Marten Botterman supported this view and emphasized that bridging the digital divide requires that people can experiment with new technologies and contribute to their development. Victoria Nguyen proposed a shared task for sandboxes and the involvement of ethicists to build trust in digital regulation.

Julia Bardmesser addressed the challenges of AI, including bias, and argued for a responsible approach to AI. She warned against using AI such as ChatGPT for decision making where bias could be an issue and suggested monitoring AI development and use through regulatory sandboxes.

Brazil needs digital regulation because the country is in a digital crisis, said Virgilio Almeida. His findings on Brazil's technological endeavors raised a fundamental question. How can developing countries regulate technologies if they have not been instrumental in their development?

This was one of the final questions of the panelists. Another was: There is a need to reduce inequality but protocols that governs internet doesn't do that. Is it even possible to address inequality with tech foundation we have? They will occupy us beyond our event and engage us in dialogue.

The Regulatory Sandboxes - changing the way we regulate technologies[1]

Katerina Yordanova, Senior Legal Expert, KU Leuven

How did we start talking about new approaches to regulation? As usual because of something that went wrong. There were two major global crises of regulation - the first triggered by the 2008 financial crisis, the second by attacks on the integrity of the 2016 US Presidential election. Those two were also a crisis of innovation because they posed the fundamental question: How do we secure responsible innovation which benefits society but also does not pose unacceptable risks?

We started this debate a long time ago, after the 2008 financial crisis, when the focus was how we should regulate FinTech. The problem with this debate, however, was that it initially concentrated on the dilemma: shall we regulate more or shall we regulate less? Such a simple solution, however, was not really solving the complex issue. It didn't consider that new disruptive technologies could **scale up way too quickly**. It also didn't consider the **political pressure** for creation of the ultimately beneficial innovation conditions in a given jurisdiction.

Therefore, at some point the discussion changed its focus towards figuring out how we can **change the way we regulate**. The emergence of the regulatory sandboxes was the result of this discussion.

If we mark the birth of the regulatory sandboxes in 2014 (Project Innovate), we see that they have been existing for less than 10 years and in this time not only they spread all around the world but also have been utilized in a variety of fields from privacy to energy, and most recently AI.

Lately, we are also witnessing evolution in the very model of the traditional sandboxes. As an example, we can point out the **FCA's digital sandbox** or the **European Blockchain regulatory sandbox**. We are also talking about **regulatory nurseries** and other forms of experimental regulation.

These examples show a few things:

1) the regulatory sandboxes are deemed as a **successful innovation facilitator for the business.**

2) Their **added value for the regulators** is apparently enough to justify the high costs (example the UK's new multi-regulator AI focused pilot would require investment from the government in the amount of 2 million pounds for a period of 1 year.)

3) The mentioned examples also show the **evolution of the tool** is in several directions: **inter-sectoral/ multi-regulator sandboxes; offering different incentives** (for example synthetic data in EU context where it's hard to lift regulatory burden compared to other jurisdictions like Singapore) involving **different stakeholders** (in the case of the digital sandbox where they involve potential investors);

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changing the process (going from cohorts-based sandboxes to open all year around and from controlled environment to testing in real life conditions).

The problem in this evolution is quite clear. It's mainly top-down and it lacks one important group of stakeholders – the society in broad. **This was also a conclusion my colleagues and I reached in the scope of the REMIT Project by defining stakeholders in different policy subsystems**.

How should this problem be addressed? First and foremost we need the **political, but also the corporate will** to **meaningfully integrate the societal contribution into the innovation process**. If we deem the regulatory sandboxes as innovation facilitators, one way to do it is to understand how **such participation could be a competitive advantage for the participants in the sandbox**. On the other hand, participation of society into the regulation process has already been proven to be highly beneficial for the regulators, even though through **different avenues** (here we are talking about collective intelligence; using technology for democratic engagement; people-powered public services, and so on).

One of the ways to involve society into regulatory sandboxes in the most effective and cost-efficient way is through using technologies. We can borrow already existing solutions used for other tools of this novel regulatory approach which NESTA Foundation calls anticipatory regulation. We can think of examples like platforms similar to the one offered from CitizenLab, which uses machine learning to translate unstructured citizen-generated ideas and insights into actionable policy recommendations or the Spanish example for using platforms, integrated on local government level for city wide referenda.

Last but not least, **the participation of the society in regulatory sandboxes needs to be shown as beneficial to that particular society**. This means that the approach would not be the same when addressing the issue in countries with strong democratic participation traditions and also high digital literacy compared to other countries with lesser levels of the same. Relying on the experience at the local European level, it is a much easier task to integrate societal participation in a regulatory sandbox in Germany, which was exploring and developing this tool for years, compared to Bulgaria where regulatory sandboxes are yet to be created.

Therefore in conclusion, societal participation in regulatory sandboxes is generally a desired feature and could be greatly facilitated by technologies, but nevertheless we should stay away from the one-size-fits-all approach because this is what could make the whole exercise meaningless.