UN Secretary General’s Task Force
What the future of capital means for sustainable development
16 September 2019
Financial Services is increasingly experiencing high levels of disruption, a trend that is only set to accelerate

Capital Markets, Banking, and Insurance are each in the top 5 industries most vulnerable to future disruption, with three demonstrable consequences

1. Market relevance is increasingly being threatened by the tech sector

2. Direct encroachment of tech firms providing financial services directly on their platforms

3. Start-ups are taking advantage of reduced barriers to entry (i.e. lower costs) enabled by digitalization and rapidly penetrating the market
How is digitalization changing finance?

- Core infrastructure undergoing substantive changes
- Front office innovations enabled by digitalization
- Proliferation of digital business models
- Rise of platforms
- Shifting roles of global monetary systems
In order to fulfill the 2030 Agenda, we are seeking a fundamental societal transformation with changes in patterns of production and consumption, requiring deep changes both across the business and financial sectors and in public policies. This requires mobilizing private financing on an unprecedented scale.

A message from the Secretary-General:

The 2030 Sustainable Development Agenda has a powerful vision, but we must ensure financing is sufficient. That means making creative use of digital technologies that are revolutionizing the financial markets. This Task Force will point the way forward.

“\nThe Task Force on Digital Financing of the Sustainable Development Goals will provide leadership to harness the digital revolution. It will strive to unlock the powerful innovative and sustainable financing needed to achieve the sustainable development goals and transform our world”
## Task Force Members

<table>
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<tr>
<th>Co-Chair</th>
<th>Publisher/Founder/CEO</th>
<th>Government/Ministry</th>
<th>Publisher/CEO</th>
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<tr>
<td>Achim Steiner</td>
<td>Ambareen Musa</td>
<td>Aurelie Adam Soule Zoumarou</td>
<td>Brad Katsuyama</td>
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<td>Administrator, UNDP</td>
<td>Founder &amp; CEO Souqalmal</td>
<td>Minister of Economy &amp; Communications Government of Benin</td>
<td>CEO &amp; Co-Founder IEX Group</td>
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<td>Co-Chair</td>
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<td>Liu Zhenmin Under-Secretary General Economic and Social Affairs</td>
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<td>Maria Ramos</td>
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<td>Maiva Atalina Emma Ainuu-Enari Governor</td>
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<td>CEO, Absa Group Limited</td>
<td>World Bank</td>
<td>EcoCash</td>
<td>Central Bank of Samoa</td>
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<td>Co-Chair</td>
<td>Phumzile Mlambo-Ngcuka Executive Director UN Women</td>
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<td>Piyush Gupta</td>
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Without a supporting financial ecosystem with aligned incentives, mobilization of private finance and the closure of this funding gap will be nearly impossible to achieve

Our research has identified various macro challenges in funding the SDGs which can be directly or indirectly linked to shortcomings of financial instruments or the financial ecosystem at large. Therefore, there is an immediate need to explore and define how key changes in the financial services sector can be channeled to better achieve sustainable development.

Challenges in funding the SDGs - Illustrative

<table>
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<tr>
<th>Lack of instruments</th>
<th>Instruments lack attractive incentive structures for SDGs. Investors do not want to deviate from the risk and reward principle when allocating funds</th>
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<tr>
<td>Aid targets not being met</td>
<td>National Aid hasn’t flown in - Only three Scandinavian countries have met their commitment to transfer 0.7 percent of GDP to developing countries (LDCs)</td>
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<td>Lack of capital market innovation</td>
<td>Multi lateral institutions have majorly focused on investing their own capital funds and there has been a lack of initiative to promote innovation in capital markets</td>
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<td>Lack of prioritization metrics</td>
<td>17 goals, 169 targets and 230 indicators require a strategy to simplify and prioritize decisions areas to invest in and determine the amount needed for each focus area</td>
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<td>Lack of data transparency</td>
<td>Indicators lack comprehensive, cross-country data and there is a lack of information on environmental, social and governance performance</td>
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<td>Lack of investment opportunities</td>
<td>Potential investors in sustainable development are constrained by the lack of concrete proposals of sizeable, impactful, and bankable projects</td>
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From both our Task Force member interviews and independent research, we have identified six key technologies that are on the rise in finance and worthy of our attention for sustainable development.

Task Force members continuously pointed to these technologies, based not only on their potential to disrupt the financial services sector, but also to accelerate impact in sustainable development, at times with compelling use cases.

<table>
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<tr>
<th>Technology</th>
<th>Description</th>
<th>Impact</th>
<th>Application in Sustainable finance</th>
<th>Source: Accenture Research</th>
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</table>
| Blockchain          | A distributed general ledger that provides secure record keeping and transaction processing | • Faster settlement  
                      |                                                                 | • Accurate due diligence and authentication  
                      |                                                                 | • Secure transactions  
                      |                                                                 | • Greater efficiency |
| Artificial Intelligence | Machines / technology performing tasks traditionally performed by humans | • Quicker response times  
                      |                                                                 | • Lower financial risk  
                      |                                                                 | • Greater efficiency |
| Opening Banking/APIs | System that provides a network of institutions data through application programming interfaces | • Increased accessibility  
                      |                                                                 | • Improved payment settlement  
                      |                                                                 | • Streamlined processes  
                      |                                                                 | • Greater efficiency |
| Big Data            | Structured, unstructured, and semi-structured data that can be used to analyze patterns and trends | • Personalized/ customized products and services  
                      |                                                                 | • Lower financial risk  
                      |                                                                 | • Greater efficiency |
| IOT                 | “Internet of Things” enables connectedness among sensors, devices, networks, APIs, apps and data | • Increased transparency  
                      |                                                                 | • Optimized trading and investment  
                      |                                                                 | • Secure transactions  
                      |                                                                 | • Greater efficiency |
| Cloud Computing     | Cloud enables organizations to source, scale and deliver technology with maximum flexibility | • Increased transparency  
                      |                                                                 | • Reduced operational risks  
                      |                                                                 | • Improved policy enforcement  
                      |                                                                 | • Greater efficiency |

Blockchain can enable secure and risk-free monetary transfers to refugees, reducing illicit financing.

Alternate lending platforms using AI for assessment can reduce credit approval time and access to the unbanked.

Interoperable mobile money platforms can encourage accessible, affordable, transparent financial services in LDCs.

Leveraging big data on operations, customers, and markets can provide the opportunity for insurers to create more inclusive products and services.

Embedding IoT in green assets can allow for automatic and cost-effective tracking and tracing of the performance of the asset.

Cloud computing can reduce investment in infrastructure thereby reducing barriers to entry and promoting entrepreneurship.
Key insights from SDG financing trends

1. Technology solutions in different stages of development

2. Private investors increasingly financing SDGs through capital markets

3. Greatest proliferation of digital business models in retail finance

4. Digitalization of domestic public financing is relatively immature

5. There are significant risk related to governance, security and exclusion that need to be addressed
However, it is important to highlight that the digitalization of finance can have both positive and negative implications, both of which need to be considered in delivering upon the SDGs

As drivers of change, we should look for ways to prioritize and augment the positive impacts while mitigating the negative impacts of the digitalization of finance to sustainable development

**Illustrative examples (non-exhaustive)**

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<th>Underlying technology</th>
<th>Examples</th>
<th>Impacted SDG</th>
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<td>Blockchain</td>
<td>&quot;Social Credit&quot; on Hyperledger can enable countries to incentivize private investment in health and education sectors on an international scale; it can impact sustainable behaviors as well, tracked through electronic devices</td>
<td>Impact 7, 8, 3, 4, 12</td>
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<td>IFIs and MDBs could use blockchain technology to help distribute portfolios to asset managers and retail investors, backing sustainable and green initiatives</td>
<td>Impact 1, 10, 7</td>
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<td>Cryptocurrencies and financial flows on blockchain without a governing agency has increased the anonymity of financial flows and can contribute to illicit financing</td>
<td>Impact 1, 2, 3, 4</td>
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<td>Big Data and Artificial Intelligence</td>
<td>Satellite data and AI can create &quot;contingency insurance&quot; for farmers, providing automatic payments when pastures fall below a certain percentage, keeping livelihoods intact during drought</td>
<td>Impact 1, 2, 3, 4</td>
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<td>Big Data and AI could eventually become so good at predicting risk, that insurance companies will no longer insure individuals within certain regions or with certain profiles</td>
<td>Impact 1, 2, 3, 4</td>
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<td>Mobile money may drive financial inclusion but can be biased towards a particular gender - The gap between unbanked men and women in developing economies remains unchanged since 2011, at 9 percentage points</td>
<td>Impact 1, 2, 3, 4</td>
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Note - These are just a few examples of how we've seen some of the technologies discussed by Task Force members have a positive and negative effect. Additional examples or use cases have been identified across technologies and SDGs and are available at your request.
Some key areas of opportunity emerged

**Mobilization**
- Crowding in private sector investors
- Mobilization of new domestic resources

**Redeployment**
- Crowd out and redirect MDBs / ODA financing
- Better utilization of existing financing

**Disbursement**
- Maximize value to recipient
- More efficiency of public/ODA financing

**Market Enablement**
- Further digital innovation will catalyze financing
- Continuous experimentation will bridge the adoption gap

**Risks and Barriers**
- “Leave No One Behind”
- Further Discrimination
- A Deeper Digital Divide
Digitalization may disrupt national and global monetary systems, but the development impact is unclear.

As some countries trend towards a cashless society, the digitalization of money and lending services have the potential to completely reshape traditional monetary systems.

**GOING CASHLESS**

While most cashless countries are in Europe and North America...

- Canada
- Sweden
- UK
- France
- USA

... the trend is quickly gaining traction around the globe.

- China
- Somaliland
- S. Korea

**IMPACT OF DIGITALIZATION**

**Digitalization of Money**
- Many digital forms of money (or e-money) have taken hold, removing frictions in key markets.

**Digitalization of Lending**
- P2P lending still in its infancy, but growing rapidly in certain parts of the world.

**POTENTIAL BENEFITS**
- Support bank’s mandate to maintain economic stability
- Greater central bank maneuverability

**POTENTIAL DOWNSIDES**
- Limit ability to manage capital flows and exchange rates
- Alternative forms of lending bypass banking sector

**A LOOK TO THE FUTURE**
- Digital fiat re-defines exchange of value
- Proliferation of peer-to-peer lending eliminates need for intermediaries

Source: Forex Bonuses – The World’s Most Cashless Countries
Thank you

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