

# UN Secretary General's Task Force

What the future of capital means for sustainable development  
16 September 2019

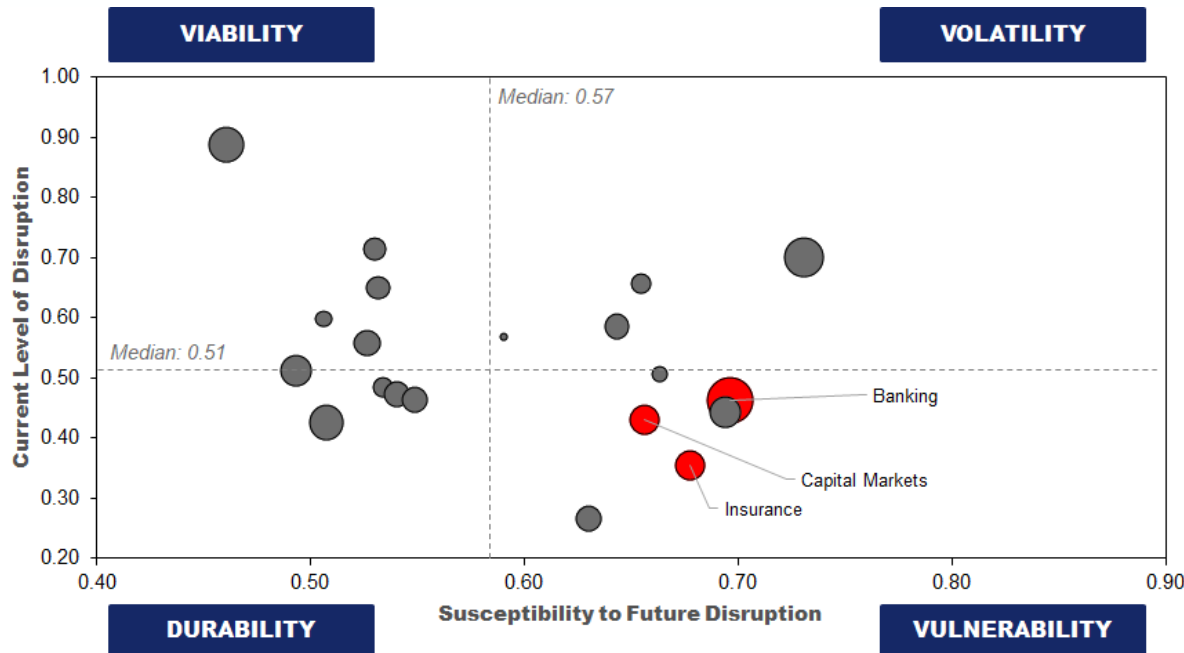


THE UNITED NATIONS SECRETARY-GENERAL'S  
TASK FORCE ON DIGITAL FINANCING  
OF THE SUSTAINABLE DEVELOPMENT GOALS



# 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



Sources: Accenture Research Disruptability Index  
 \*Total sample = 3,629; sample sizes range between 555 and 21, with an average of 181 companies per industry.

Average EV of companies in sample<sup>1</sup>

1 Market relevance is increasingly being threatened by the tech sector

Sector Weighting of the S&P 500

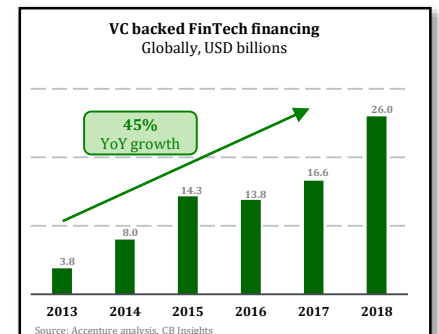
	2007	2018 (Q1*)
Financials ↓	18%	15%
Technology ↑	16%	24%

\* Prior to GICS sector re-classifications Source: iShares Core S&P 500 ETF (IVV)

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?



# The Secretary-General's Strategy for Financing the 2030 Agenda



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.



















*Click on the picture for a direct link to the video*

*“The 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







 <p><b>Co-Chair</b> <b>Achim Steiner</b> Administrator UNDP</p>	 <p><b>Ambareen Musa</b> Founder &amp; CEO Souqalmal</p>	 <p><b>Aurelie Adam Soule Zoumarou</b> Minister of Economy &amp; Communications Government of Benin</p>	 <p><b>Brad Katsuyama</b> CEO &amp; Co-Founder IEX Group</p>
 <p><b>Henrietta H. Fore</b> Executive Director UNICEF</p>	 <p><b>Kristalina Georgieva</b> CEO World Bank</p>	 <p><b>Liu Zhenmin</b> Under-Secretary General Economic and Social Affairs</p>	 <p><b>Maiva Atalina Emma Ainuu-Enari</b> Governor Central Bank of Samoa</p>
 <p><b>Co-Chair</b> <b>Maria Ramos</b> CEO Absa Group Limited</p>	 <p><b>Mats Granryd</b> Director General GSMA</p>	 <p><b>Natalie Jabangwe</b> CEO EcoCash</p>	 <p><b>Patrick Njoroge</b> Governor Central Bank of Kenya</p>
 <p><b>Phumzile Mlambo-Ngcuka</b> Executive Director UN Women</p>	 <p><b>Piyush Gupta</b> CEO &amp; Director, DBS Group</p>	 <p><b>Richard Samans</b> MD &amp; Member of the Managing Board World Economic Forum</p>	 <p><b>Xiandong (Eric) Jing</b> CEO and Director Ant Financial Services</p>

# 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

<p><b>Lack of instruments</b></p>  <p>Instruments lack attractive incentive structures for SDGs. Investors do not want to deviate from the risk and reward principle when allocating funds</p>	<p><b>Lack of capital market innovation</b></p>  <p>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</p>	<p><b>Aid targets not being met</b></p>  <p>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)</p>
<p><b>Lack of prioritization metrics</b></p>  <p>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</p>	<p><b>Lack of data transparency</b></p>  <p>Indicators lack comprehensive, cross-country data and there is a lack of information on environmental, social and governance performance</p>	<p><b>Lack of investment opportunities</b></p>  <p>Potential investors in sustainable development are constrained by the lack of concrete proposals of sizeable, impactful, and bankable projects</p>

# 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

ILLUSTRATIVE

	Blockchain	Artificial Intelligence	Opening Banking/APIs	Big Data	IOT	Cloud Computing
Description	<i>A distributed general ledger that provides secure record keeping and transaction processing</i>	<i>Machines / technology performing tasks traditionally performed by humans</i>	<i>System that provides a network of institutions data through application programming interfaces</i>	<i>Structured, unstructured, and semi-structured data that can be used to analyze patterns and trends</i>	<i>“Internet of Things” enables connectedness among sensors, devices, networks, APIs, apps and data</i>	<i>Cloud enables organizations to source, scale and deliver technology with maximum flexibility</i>
Impact	<ul style="list-style-type: none"> <li>• Faster settlement</li> <li>• Accurate due diligence and authentication</li> <li>• Secure transactions</li> <li>• Greater efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Quicker response times</li> <li>• Lower financial risk</li> <li>• Greater efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Increased accessibility</li> <li>• Improved payment settlement</li> <li>• Streamlined processes</li> <li>• Greater efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Personalized/ customized products and services</li> <li>• Lower financial risk</li> <li>• Greater efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Increased transparency</li> <li>• Optimized trading and investment</li> <li>• Secure transactions</li> <li>• Greater efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Increased transparency</li> <li>• Reduced operational risks</li> <li>• Improved policy enforcement</li> <li>• Greater efficiency</li> </ul>
Application in Sustainable finance	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

SDG	Current sources of funds	Current level of DfAI activity	Areas of innovation				Underlying digital solutions
	(In words of signatories)	(On a scale of 0-100%)	Capex	Opex	Govt	Private	(In words)
<b>1 No Poverty</b>	• Highest funding by domestic governments through social protection • ODA and grants not development agenda	~10%	○	○	○	○	• Digital wallets and platforms for access to services • E-transfer of public aid and disbursement
<b>2 Zero Hunger</b>	• Close to half the contributions from private investment from farmers • Government funds, donors ODA	~20%	○	○	○	○	• Mobile banking for access to agri inputs • Precision analytics for crop insurance • Digital platforms for e-market place
<b>3 Good Health &amp; Well-being</b>	• Dominant public finance followed by ODA and grants from foundations • Out of pocket expenditure by households	~15%	○	○	○	○	• Mobile money for fee payment • Digital credit for women health loans and market insurance
<b>4 Quality Education</b>	• Higher funding flows than government expenditure followed by ODA	~10%	○	○	○	○	• Mobile money for fee payment • Artificial intelligence for student loans • Digital wallet for salaries
<b>5 Gender Equality</b>	• Higher driven by public finance to complement policies • ODA, mainly bilateral funding	~10%	○	○	○	○	• Mobile technology for increased access to financial services • Digital platforms for knowledge sharing
<b>6 Clean Water &amp; Sanitation</b>	• Government funding followed by ODA (ODA loans, ODA grants and ODF)	~10%	○	○	○	○	• Financing tools for cooperative billing • Smart grids for wastewater water assets
<b>7 Affordable &amp; Clean Energy</b>	• Highest investment from private sector (direct and through capital markets) • Followed by domestic public funds	~30%	○	○	○	○	• Lack backed financing of green securities • E-trading using mobile wallets for energy credits
<b>8 Decent Work &amp; Economic Growth</b>	• Driven by governments through transfers and ease-of-business policies • ODA, including bilateral	~10%	○	○	○	○	• Big data analytics for lending and risk monitoring • AI and machine learning for recruitment
<b>9 Industry, Innovation and Infrastructure</b>	• Split across all three sources of funding (Private, Public, ODA) • Little less than half from private sector	~20%	○	○	○	○	• Cryptocurrency for central bank offerings • Digital investment planning tools for infrastructure investments
<b>10 Reduced Inequality</b>	• Financing of this SDG is interlinked to that of the other SDGs that impact equal access to opportunities and services	~10%	○	○	○	○	• Digital wallets and platforms for equal access to services • E-transfer of public aid and disbursement
<b>11 Sustainable Cities &amp; Communities</b>	• Funding mostly driven by government • Private sector through ODA	~10%	○	○	○	○	• Online platforms for local purchase and asset securitization • Smart cards for access to transport
<b>12 Responsible Consumption &amp; Production</b>	• Dominant public finance (for solid waste) • Private sector (for food and industrial waste)	~5%	○	○	○	○	• Digital platforms for monitoring of funds
<b>13 Climate Action</b>	• Close to half through public finance (Government and ODA) • Private sector contributions	~20%	○	○	○	○	• Blockchain based investment platforms • Digital currency for climate action • Mobile payments for energy access
<b>14 Life Below Water</b>	• Projects mostly funded through ODA • Initiatives by private companies	~10%	○	○	○	○	• Digital platforms for blue financing • Big data analytics for intelligent & sustainable tourism
<b>15 Life on Land</b>	• ODA funding (majority driven through bilateral) • Government budgets	~10%	○	○	○	○	• E-trading of credits for bio-diversity offset
<b>16 Peace, Justice &amp; Strong Institutions</b>	• Higher funding flows through grants and ODA	~10%	○	○	○	○	• Electronic wallets to replace cash transfers • Digital platforms for disbursement

- 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 addresses**














# 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)

ILLUSTRATIVE

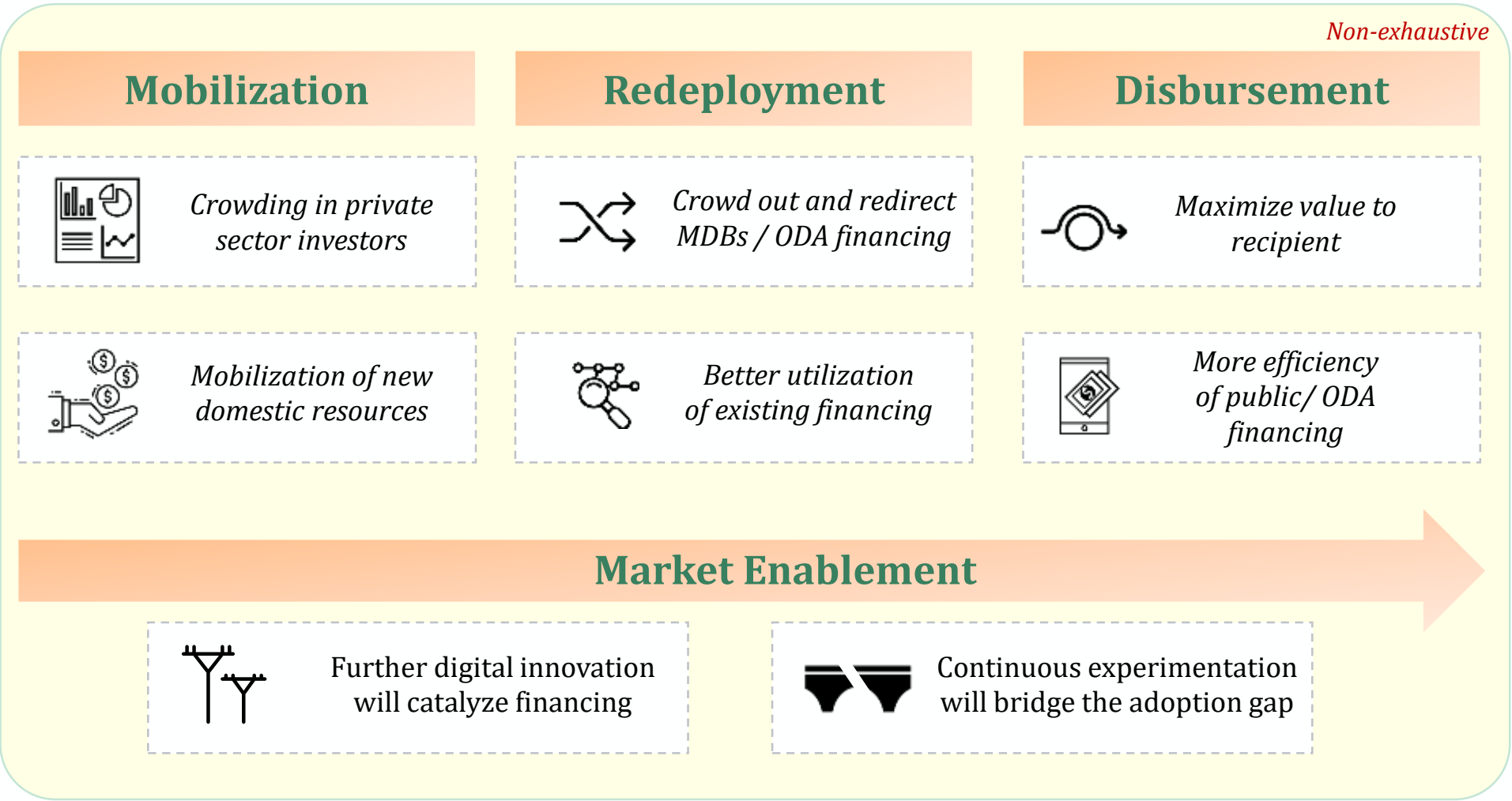
Underlying technology	Examples	Impacted SDG
Blockchain	“Social Credit” on Hyperledger can enable countries to incentivize private investment in health and education sectors on an international scale; it can impact sustainable behaviors as well, tracked through electronic devices	 
	IFIs and MDBs could use blockchain technology to help distribute portfolios to asset managers and retail investors, backing sustainable and green initiatives	  
	Cryptocurrencies and financial flows on blockchain without a governing agency has increased the anonymity of financial flows and can contribute to illicit financing	 
Big Data and Artificial Intelligence	Satellite data and AI can create “contingency insurance” for farmers, providing automatic payments when pastures fall below a certain percentage, keeping livelihoods intact during drought	 
	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	
	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	

 Positive impact  Negative impact

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



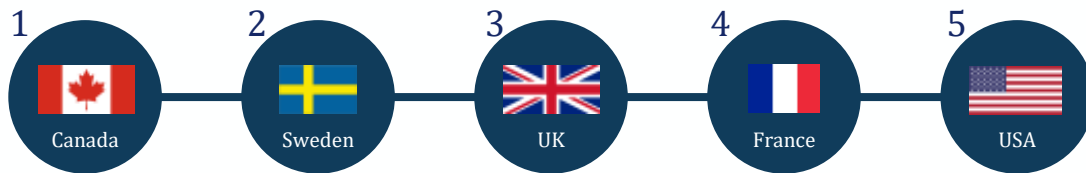


# Digitalization may disrupt national and global monetary systems, but the development impact is unclear

*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...



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



Rapid rise of QR based payments through AliPay & WeChat Pay



Use of mobile banking is increasing, driven by inflation and proliferation of SIM cards



Incentivize shoppers to receive prepaid card top-ups instead of change to save costs of producing coins

## 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



# Thank you

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**Call for Contributions**

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*Empowered lives.  
Resilient nations.*

