HAPPY NEW YEAR

As we come towards the start of 2020, the Task Force Co-chairs and Secretariat would like to thank everyone who has been involved in the work of the Task Force over the past year. We wish you all the best for the holidays, and we are looking forward to working with you next year to finalise the Task Force report.

Progress to Date

For the past few months the Task Force has come to the end of its ‘mapping’ phase and has moved into the final phase of its work to develop and build consensus on recommendations that will be made by the final Task Force report in 2020.

On 26 September the Task Force released the interim report of its findings at the UN General Assembly. The interim report made the case that the digital revolution in financial technology offers major opportunities to accelerate financing of the Sustainable Development Goals by putting more control into the hands of citizens. It received good feedback from policy and market circles through a series of events in Amsterdam, Paris, Geneva and Washington DC since then.
“The report is fantastic. It’s a must-read for anyone who cares about this subject. I agree thematically with the report that technology is shifting the center of gravity toward the citizen; our digital world is distributed, from micro-grids to mesh networks, from Internet of things to edge computing and distributed ledger technology. The gravity shift is shaking our centralized systems, and simultaneously pushing us all closer to the planet’s furthermore citizen. While disruptive, the digital world is also creating waves of opportunities, including for sustainable development. At the same time, it is also creating not only a dramatic “governance imperative,” as the report puts it, but in my opinion a near overwhelming governance challenge.”

Jay Collins Vice Chairman Banking, Capital Markets and Advisory Citigroup

On 16 October the Task Force held a well-attended Sherpa Meeting in the offices of Ant Financial Services Group in Washington DC, alongside the World Bank/IMF Fall Meetings.

The task for the Sherpas was to debate key recommendation areas to be included in the final report. In a series of working groups, Sherpas discussed the key opportunities for harnessing digitalisation to finance the SDGs as well as the digital foundations that underpin sustainable digitalisation of finance, from digital infrastructure and connectivity to data access. The need for governance innovations also emerged as a key enabler for sustainable digital financing ecosystems. The Sustainable Digital Finance Alliance presented the results of their Sustainable Digital Finance Readiness Assessment in the Netherlands, conducted in association with Holland Fintech.

On 4-7 November the Task Force held an expert offsite meeting in Bellagio, Italy. Participants included both task force members and Sherpas and experts who had not been involved with the task force to date. Anir Chowdhury, Policy Advisor, a2i Program of the Government of Bangladesh, Amandeep Gill, Project Lead, International Digital Health & AI Research Collaborative, Marianne Haahr, Director, Sustainable Digital Finance Alliance, Natalie Jabangwe, CEO, Ecocash, Louise James, Managing Director, Accenture, Judith Karl, Executive Secretary, UNCDF, Matu Mugo, Assistant Director, Bank Supervision, Central Bank of Kenya, Julia Walker, Head of Market Development, Risk, Asia-Pacific, Refinitiv, Louise Wilson, Co-founder and joint MD, Abundance and Xiaochen Zhang, President, Fintech4good.

The offsite featured a series of presentations, panel discussions, and working groups that dove deeper into digital finance for SDG opportunities along with the enabling market conditions. Participants were inspired by the potential of digitalisation of finance to empower the ultimate owners of world’s financial resources – the citizens. Key takeaway from the meeting was effectively harnessing digitalisation can deliver the financing needed to achieve the Sustainable Development Goals (SDGs), but realizing opportunities and mitigating risks associated with digitalisation of finance requires entrepreneurial developments and directed action in ensuring enabling environment.
In addition to panel and roundtable discussions there were fireside chats with Mathew Davie, Chief Strategy Officer, Kiva, and part of the Libra Association and Fadi Chehadé, Founder of RosetteNet (previously CEO of ICANN and a member of Secretary General’s High-Level Panel on Digital Cooperation)

**Libra: developing a reliable digital currency and infrastructure for “the Internet of money.”**

Matthew Davie, Chief Strategy Officer of Kiva took part in a fireside chat at the Task Force’s offsite in Bellagio in November 2019.

Kiva started in 2005 as a platform for crowdfunding loans for the underserved. To date it has provided over $1.5 billion of loans to small businesses and households in over 80 countries. Mathew’s work focuses on new initiatives that connect emerging technologies with vulnerable populations including the Libra currency.

As digitalisation becomes ubiquitous, it opens up the potential for cheap, secure, fast ways for people to demonstrate their identity and therefore to access financial services. Decentralised technologies based on blockchain offer the potential to be able to do this in a system where “no one trusts each other”.

Kiva, along with other non-profits, technology companies like Uber, Lyft, Facebook and Spotify, telecommunications companies and venture capitalists have developed the open source Libra community with the aim to enable a low-volatility cryptocurrency, and a smart contract platform. The vision is for an open, interoperable ecosystem of financial services that developers and organizations can use to help people and businesses hold and transfer Libra currency for everyday use.

**Internet governance and digital finance governance**

Fadi Chehadé took part in a fireside chat at the Task Force’s offsite in Bellagio in November 2019.

Fadi was President and CEO of ICANN, the global authority managing the Internet’s logical infrastructure. He is on the advisory board with the World Economic Forum’s Center for the Fourth Industrial Revolution and is a member of the UN Secretary-General’s High-Level Panel on Digital Cooperation.

In discussing ICANN, Fadi stressed the difference between Internet governance, which is fundamentally transnational, and digital finance governance, which has to happen at the national, regional and international levels. This makes digital finance governance much more complex. Any governance innovations for digital finance will need to complement
existing institutions in a distributed, collaborative way.

Fadi emphasised the importance of principle-based approaches to governing complex, rapidly evolving phenomena. This means starting with basic “guardrails”, common global boundaries, from which localised regulations could emerge.

Fadi warned against increasing fragmentation of the digital space, which also applies to digital finance. Fragmentation can cripple the potential for innovative digital financing aligned to sustainable development by preventing policy makers, regulators and market players from accessing the data needed to make risk and impact assessments to inform digital financing decisions.

The Working Groups

Following the Sherpa meeting and the Bellagio offsite, the Task Force secretariat convened working groups to develop and build consensus around recommendations in four key areas:

**Principles:** This group will articulate the principles for citizen-centered digital finance that is aligned with sustainable development. The starting point for this work include principles developed by the High Level Panel on Digital Cooperation, the Bali Fintech Principles, and Global Principles for Financial Inclusion.

**Governance and International Cooperation:** This working group will articulate concrete recommendations on international cooperation and governance arrangements that will enable digital finance to be harnessed towards citizen’s interests and the SDGs, taking into account risks of exclusionary profiling and discrimination, illicit flows and fraud, and regulation for financial stability, security and integrity.

**Data:** Data sharing frameworks, data transfer mechanisms, data valuation and data trade frameworks are needed to unlock the full potential of data. This working group will establish consensus on recommendations that would optimize ownership, access and use of data (particularly personal data) for harnessing digital financing of the SDGs.

**Measuring Progress:** This working group will focus on recommendations for measuring progress in digital finance integration into national SDG financing needs and strategies, leveraging existing measures, indices and planning tools to enable policy makers to direct digital finance towards achieving their national priorities.

**Working Paper: Leveraging Digital Finance for Gender Equality and Women**

In September UN Women published a working paper as part of its contribution to the Task Force. It reviews the barriers, risks and opportunities related to gender and the accessibility and utilization of digital finance in order to help identify pathways that could be leveraged for potential impactful investment returns for women.

It highlighted three interventions to increase demand for digital financial services by women: capacity-building initiatives and financial education, improve sex-disaggregated data to better understand preferences and needs and using targeted incentives, as well as three interventions to improve supply: developing value propositions for women, adopting enabling regulations that expand opportunities to access new products and integrate a gender strategy in investment portfolios.

“Technology is a basic right, not a luxury. We need to change that mindset if we are to address the chronic underinvestment in women and girls and achieve their equal access to technology as a norm. This can be accelerated by embedding people from the development
sector within the worlds of technology and finance, and by governments enlarging their concept of necessities beyond water, food, shelter and energy.”

Phumzile Mlambo-Ngcuka, Executive Director, UN Women, Task Force Member

Initiatives in Focus

The Task Force’s work and its recommendations are exemplified by a portfolio of initiatives which demonstrate what they could mean in practice.

Zimbabwean stock exchange for fast small and medium digital enterprises

Two Task members Natalie Jabangwe, CEO of Zimbabwe’s EcoCash mobile money system and Brad Kasuyama, CEO of IEX are developing are partnering with the UNCDF, to develop a digital stock exchange in Zimbabwe to channel finance, especially from local savings, into local companies.

Ecocash is Zimbabwe’s largest mobile money business, and the second largest in Africa. Mobile money is used for 85% of all retail transactions in Zimbabwe. Together with IEX the plan is to bring Ecocash users the opportunity to invest local companies. It will use mobile money transaction data and other data sources (e.g. satellite) to determine company valuation for listing on the stock exchange. It will also develop alternative listing models (e.g. via aggregator) and innovative SME debt instruments. Critical to the model will be finding ways to protect small investors, using fees or taxes.

Digital Governance of Infrastructure Financing initiative

The Digital Governance of Infrastructure initiative is being undertaken by Refinitiv and aims to improve the alignment of investments with the SDGs by providing standardized, trusted and transparent data on infrastructure investment which investors can be used to assess performance, returns and risk.

It is estimated that to meet the SDGs will require upwards of $6 trillion in annual SDG aligned investment in infrastructure. One contributor and precursor to this China’s Belt and Road Initiative (BRI) which is already the world’s biggest investment program and could eventually mobilize trillions of dollars for projects including dams, railroads and ports. Both the Chinese government (in this case as the major sponsor) and global investment institutions have sought to integrated environmental and social due diligence and environmental stress tests of investment decisions.

Refinitiv’s BRI database “BRI Connect” provides access to comprehensive information on macroeconomic, market, financing, geopolitical and operational risk related to BRI countries, organizations and projects. So far it has aggregated data on nearly 3,000 projects valued at almost $4 trillion, involving 2,630 companies.

Building on this the digital governance of infrastructure initiative will undertake end-to-end digital mapping of infrastructure investments to improve transparency and enhance investability.

Next Steps in 2020

The four working groups are developing recommendations to feed into the ‘zero draft’ of the final report which is being developed for consideration at the third Task Force meeting in Q1 2020.