

BRIEFING FOR DEVELOPMENT FINANCE INSTITUTIONS

AUGUST 2020



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



BRIEFING FOR DEVELOPMENT FINANCE INSTITUTIONS on their role in harnessing digitalization to accelerate financing of the SDGs

The Task Force on Digital Financing of the Sustainable Development Goals (SDGs) was established by the UN Secretary General with a mandate to recommend and catalyse ways to harness digitalization in accelerating financing of the SDGs.

Its final report “The People’s Money: Harnessing Digitalization to Finance A Sustainable Future”. The Task Force’s Action Agenda includes a three-part action agenda:



- 1) Advance catalytic opportunities
- 2) Build the foundations for sustainable digital financing ecosystems
- 3) Strengthen inclusive international governance

This briefing sets out specific actions for Development Finance Institutions (DFIs), including multilateral, bilateral or national development banks, community development banks, capitalized with public or charitable funds, that provide risk financing to sustainable development projects at non-commercial rates.

THE TASK FORCE’S ACTION AGENDA: FOR DEVELOPMENT FINANCE INSTITUTIONS

Digital disruption creates an historic opportunity to reshape finance towards empowering people in financing their goals. Finance can and should meet the priorities of the people it is intended to serve, as savers, lenders, borrowers, investors, and taxpayers.

DFIs are uniquely placed to advance impactful approaches to development financing by catalysing and de-risking innovative, digitally enabled financing of national development priorities. They can ‘nudge the system’ and steer sustainability alignment of both the public space, by shaping risk capital projects, and the private sector by incentivizing corporate governance innovations.



Catalytic opportunities can harness digitalization in aligning finance with the SDGs. Digitalization is already making a difference to the SDGs, but far more can be achieved by realizing key, catalytic opportunities; mobilizing domestic savings for long-term development, enhancing accountability of public financing, making SDGs count in global financial markets, financing small and medium enterprises, and promoting SDG-aligned consumer spending.

DFIs can make more use of technology, data, and advanced analytics to drive more effective design, packaging, and monitoring of new, catalytic financing pathways and by sharing their experiences globally:

- **Unlock citizens’ ability to invest in local sustainable development** by encouraging and de-risking innovative financing instruments with guarantees and tailored insurance products.
- **Accelerate digital loans to sustainable SMEs** leveraging digital transactions and alternative data by, for example, securitizing and de-risking funds.
- **Exemplify good transparency and accountability conduct** using digital tools and advanced analytics to track social and environmental impacts of their own investments.
- **Use public and proprietary environmental and social data** to assess material SDG-related risks and impacts and more accurately target financing to high-risk projects and geographies.



- **Incentivise and catalyse digitally enabled corporate supply chain transparency** and identify best practices for customer awareness building and engagement.



Foundations for sustainable digital financing ecosystems are needed to overcome barriers and risks to harness digitalization's potential in financing the SDGs. These include inadequate digital infrastructure, and access, affordability and capabilities, algorithmic biases which may exclude women and minorities, increased short-termism, cyber vulnerability, and market concentration.

DFIs can advance digital infrastructure improvements that foster greater inclusion and support national development priorities, and ensure that citizens have adequate digital and financial skills to benefit.

- **Support investments in much needed connectivity infrastructure** in underserved areas through guarantees and de-risking, and invest in monitoring environmental and social impact.
- **Help governments design and provide risk capital to projects aligned with national sustainable development objectives**, and transition well performing projects off their books.
- **Consolidate best practices in and support interventions to enhance consumer literacy**, digital and financial skills required to benefit from sustainable digital financing solutions.



Inclusive international governance innovations are critical for harnessing digitalization in delivering financing of the SDGs. Regulations and standards governing digital financing need to be informed by SDG commitments and goals, with a particular need to ensure that the SDGs inform the governance of a new generation of global digital financing platforms with cross-border, spillover impacts.

DFIs can help all stakeholders become development actors. They can help policymakers and regulators adopt an SDG-aligned lens in shaping digital financing and enterprises to operationalize SDG principles in corporate governance practices. They can also contribute to international efforts to integrate SDG considerations into global governance of digital finance.

- **Use development investment expertise to engage in and shape international efforts to define principles** for integrating broader sustainable development into global governance of finance.
- **Contribute knowledge and experiences to international dialogue on SDG impacts and risks of global digital platforms** that offer services in multiple jurisdictions.
- **Catalyse corporate governance arrangements that integrate SDG considerations into company operations and financing decisions.**



THE ACTION AGENDA FOR DIFFERENT ACTORS

ACTOR	KEY ROLES
Policy makers and regulators	Provide standards and regulatory certainty, advance cooperation with innovators, steer market development in support of national sustainable development priorities, empower citizens and mitigate risks brought by digitalization of finance.
Member States, as part of the UN system	Cooperate to share experience, coordinate and advance ambition and develop common principles and approaches, while building capacity, infrastructure, regulations and industry support at home.
Fintech companies and global digital platforms	Innovate products and services which meet consumer demand to channel finance to sustainable development goals. Commit to principles of SDG-aligned digital financing and develop corporate governance mechanisms to ensure they operationalize them.
Financial institutions	Identify and advance opportunities in own products and systems, advance interoperable digital ID and data systems. Engage with international standard setting and explore corporate governance options for stewarding the SDGs.
International development community	Technical assistance and disseminating learning, supporting governance innovation. Provide support for development of inclusive infrastructure and the capacity of citizens
Development finance institutions	Offer solutions to share risk to enable the development of catalytic solutions. Share knowledge to help governments design risk capital projects aligned to sustainable development and provide incentives via conditionality for corporate governance innovations.
Civil society organisations	Across civic, religious, youth, women's, worker, trader consumer and other interest groups: mobilize collective voice, documenting problems and solutions to hold the powerful accountable. Build the capacity of citizens.
The United Nations	Support Member States in realizing catalytic opportunities and establishing digital financing ecosystems aligned with SDG priorities. Advance inclusive international norm-setting and governance innovations to mitigate risks. Exemplify good practice on digital financing internally. Develop a mechanism for stewarding the implementation of Task Force recommendations.

For more information explore the Task Force's report at www.digitalfinancingtaskforce.org