

# SECTION 1

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# INTRODUCTION

*This is an extract from the report of the Secretary-General's Task Force on Digital Financing of the Sustainable Development Goals. The full report "People's Money: Harnessing Digitalization to Finance a Sustainable Future" is available from [www.digitalfinancingtaskforce.org](http://www.digitalfinancingtaskforce.org)*



## AN HISTORIC OPPORTUNITY

***Digitalization is transforming finance, enabling services and markets to be automated, commoditized and customized.*** Tens of millions of businesses, particularly smaller enterprises, depend on digital markets, with an estimated 1.9 billion people worldwide purchasing goods online,<sup>2</sup> amounting to US\$3.5 trillion of sales in 2019.<sup>3</sup> Objects are increasingly digitally connected, enabling them to respond to their context, and to relate to each other in shaping integrated functions and networked intelligence. Mobile platforms and data analytics are bringing sophisticated financial services to mass markets.<sup>4</sup> Governments are digitalizing public finance,<sup>5</sup> whilst a third of US public equities trades are executed by computer-managed funds.<sup>6</sup> Fintech-powered start-ups, financial service providers, and ecommerce, social media and search platforms are all part of the disruptive wave.<sup>7</sup>

***The Task Force has focused on how digitalization can support financing that meets the priorities of people it is intended to serve.*** The Sustainable Development Goals (SDGs) are a global, shared agenda for achieving peace and inclusive, sustainable prosperity by 2030. The SDGs have been adopted by all United Nations Member States as part of the core of the 2030 Agenda for Sustainable Development. As such they represent the collective priorities of the world's citizens.<sup>a</sup>

Citizens are the ultimate owners of the world's income and wealth. Tens of billions of decisions everyday determine what and how we produce and consume, today and into the future. In principle, citizens' US\$130 billion in daily purchases should reflect their informed choices.<sup>9</sup> Governments' daily global spending of US\$85 billion should reflect how



***“Digital technologies are rapidly transforming society, simultaneously allowing for unprecedented advances in the human condition and giving rise to profound new challenges.”***

UN Secretary-General's High-Level Panel on Digital Cooperation<sup>1</sup>

<sup>a</sup> Throughout the report, the word “citizens” refers to the world’s citizens and therefore does not exclude migrants or stateless persons.



*"[there is an urgent need to] return the financial services industry to what it is supposed to be - an industry that serves people."*

Kristalina Georgieva,  
Managing Director,  
International Monetary Fund<sup>8</sup>

citizens want their money to be used.<sup>10</sup> The allocation of US\$382 trillion<sup>11</sup> of assets managed by financial institutions and channelled through today's global financial and capital markets should be guided by citizens' preferences.<sup>12</sup>

***The world is awash with finance, but it is not aligned with these priorities, due to gaps, weaknesses and distortions in institutions and markets.***<sup>13</sup> Since the Global Financial Crisis of 2008, financial services are less trusted 'to do what is right' than any other part of the business community,<sup>14</sup> although most people trust banks to safeguard their money and their data.<sup>15</sup> Most citizens distrust how governments use their money. Over half (57 percent) of the respondents of a multi-country survey say

governments serve the interest of the few, while less than a third (30 percent) say that governments serve the interests of everyone.<sup>16</sup> Citizens spending behaviours too often do not reflect their concerns about their children's futures, inequality, environment and climate.<sup>17 18</sup>

***Digitalization offers an historic opportunity to overcome these shortfalls, gaps and weaknesses in aligning a new generation of financing instruments, markets and institutional arrangements with the SDGs.***<sup>19</sup> Digitalization of finance is essential in the fight against organized crime, a US\$4 trillion global business which destroys value for the private and public sectors, and society itself.<sup>20</sup> Digitalization can improve tax collection and make public financial management more effective and transparent.<sup>21</sup> Cheap, credible data is a pre-requisite in growing the multi-trillion-dollar market for green and sustainable 'use of proceeds' bonds, and in integrating climate risk into the world's financial and capital markets.<sup>22</sup>

***Today's unprecedented crisis has made digitalization far more important.*** Digital finance has become a critical lifeline during the crisis for billions of people. Innovations and investments have underpinned rapid scaling of support to vulnerable groups, from extending the reach of social safety nets and health systems to new ways to secure digital livelihoods and undertake mutual support within families and communities.<sup>23</sup>

Governments are using digital payment platforms to operationalize social safety nets and extend the reach and effectiveness of health systems. Businesses are depending on ecommerce for their continued existence. People are reaching for the digital world to communicate with their families and friends, to buy what they need, and where possible to continue their work and livelihoods.

The move to conduct business, entertainment, education, health and other public services online is being accelerated. Digital financing will make social safety nets involving cash transfers easier and cheaper to manage. Public and philanthropic efforts to support those in need have also turned to the world of digital financing, leveraging crowdsourcing to raise funds and target transfer payments to support people in need.

This surge in the digital world amplifies the opportunity and the need for it to be harnessed in the longer-term pursuit, and financing, of sustainable development.

**Barriers could restrict the realization of digital financing's potential.** Physical exclusion is the most obvious barrier. There are still 750 million people who remain unserved by mobile data networks.<sup>24</sup> A further 3.3 billion people lack adequate resources and capabilities to take advantage of the digital world.<sup>25</sup> Women, youth and other disadvantaged groups are more reliant on unregulated informal financial services and have less access to economic opportunities.<sup>26</sup> Resistance to digitally-enabled market entrants can restrict innovation which would reduce costs and enable more people to be reached. Governments can be unwilling or unable to improve targeting and transparency of public financing even where the technology makes it possible. Many developing countries struggle to make use of the power of data in driving better economic decision-making.

**Digitalization also introduces new risks which may further divorce finance from people's needs.**

Digitalization opens new routes for embezzlement and fraud and provides ways to hide illicit financial flows.<sup>27</sup> Cybersecurity threats increase.<sup>28</sup> Biases in algorithms or underlying data sets may reproduce discrimination.<sup>29</sup> Digitalization may increase short-termism in financial markets.<sup>30</sup> Digitalization increases the likelihood of a new generation of highly concentrated financial markets because of its tendency to provide ever-increasing benefits to scale. It may reduce an autonomous economic policy space through the loss of control over macroeconomic and monetary policy.<sup>31</sup>

**Repurposing finance to serve citizens in supporting inclusive sustainable development requires smart and purposeful market and governance innovations.**

Digitalization can enable financial products to take better account of sustainable development risks and opportunities. Market actors, both existing and new, play a critical role in developing financial products that take the SDGs into account, both in terms of environmental and social risks and positive impacts that customers and users care about. Governance innovations will be needed to incentivize and, where necessary, require these developments, as well as mitigate risks from digitalization itself.

**There is a short-lived window of opportunity to achieve systemic change.** Catalysing major change becomes possible during critical junctures of disruption. The opportunity arises when historic circumstances converge to create the perfect storm upsetting the status quo and opening routes to create something a better alternative. Peoples' actions, rather than technology or fate, determine the outcome of these moments. The nexus of finance, digitalization and the transition to an inclusive sustainable development is a case in point.

**Failure to act would be a wasted opportunity and risk finance's divergence from the needs of citizens for an inclusive, sustainable development.** Acting with purpose and ambition, on the other hand, opens the possibility of overcoming barriers to securing financing for the SDGs, whilst mitigating risks associated with digitalization of finance.



**This historic opportunity combined with this unprecedented crisis provides a unique moment and imperative to act in harnessing digitalization to accelerate financing of the SDGs.**



# THE TASK FORCE AND THIS REPORT

The UN Secretary-General established the Task Force on Digital Financing of the Sustainable Development Goals in November 2018 with a mandate to recommend and catalyse ways to harness digitalization in accelerating financing of the SDGs.<sup>33</sup> The Task Force's focus as set out in its Framework document was to develop practical recommendations for the short to medium-term (1-5 years).<sup>34</sup>

***'People's Money: Harnessing Digitalization to Finance a Sustainable Future' is the Task Force's final report.*** It highlights the potential for digitalization to catalyse a fundamental realignment of both public and private finance with the SDGs. The Task Force offers analysis of current developments and recommendations for action to establish a financial system that advances citizens' interests. The Task Force has catalysed a portfolio of pathfinder initiatives that exemplify ambitious action in implementing the recommendations.

The Task Force is complementary to the outcomes of the UN Secretary-General's High-Level Panel on Digital Cooperation (HLP),<sup>35</sup> and draws on the broader body of work developed as part of the UN Financing for Sustainable Development.<sup>36</sup>

## Exhibit 1: Who is the Task Force?

The Task Force comprises seventeen leaders drawn from the financial, technology, policy, regulatory and international development communities. Maria Ramos, until recently the CEO of Absa Holding of South Africa, and Achim Steiner, the Administrator of the United Nations Development Programme (UNDP) are Co-Chairs.

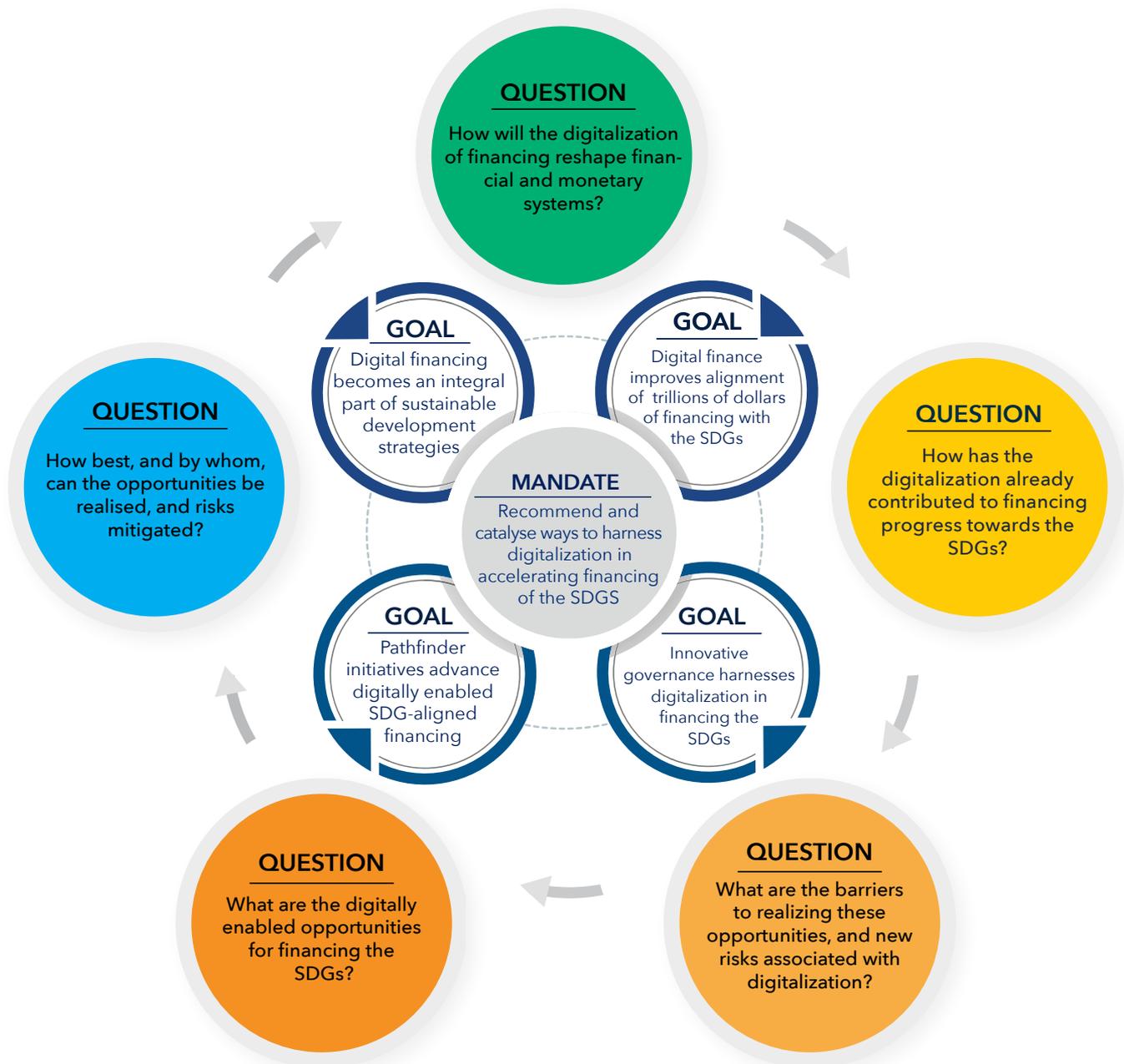
The Task Force is co-hosted by the United Nations Development Programme (UNDP) and the UN Capital Development Fund (UNCDF).

Knowledge partners include the Accenture Development Partnerships,<sup>32</sup> the Green Digital Finance Alliance and Refinitiv.

<https://digitalfinancingtaskforce.org/the-task-force/>

In addressing its mandate, the Task Force addressed five core questions, as shown in Exhibit 2.

## Exhibit 2: The Task Force's Mandate, Goals and Core Questions



### *The Task Force has commissioned and produced a series of working papers and reports:*

- Progress report released by the co-Chairs on the occasion of the UN General Assembly in September 2019, shared initial findings.<sup>37</sup>
- Technical reports prepared by Task Force members, including one on gender and digital finance,<sup>38</sup> and one on digitalization and capital markets.<sup>39</sup>

*The Task Force has helped to shape a knowledge ecosystem about the nexus of digitalization, finance, and sustainable development.* Over 18 months, the Task Force has convened around the world, engaging with hundreds of financial institutions, dozens of governments and regulators, as well as many civil society organizations, think tanks and expert groups. It has taken into account hundreds of papers, proposals and research pieces. This includes the rich fruits of the call for contributions, convenings in Amsterdam, Beijing, Berlin, Brussels, Davos, Geneva, Kuala Lumpur, London, Milan, Mumbai, Nairobi, New Delhi, New York, Paris, Singapore and Toronto,<sup>40</sup> and numerous engagements with Task Force members, partners and supporters. Part of this engagement included co-sponsorship with the Central Bank of Kenya of a Hackcelerator on fintech and the SDGs,<sup>41</sup> and a 'Digital Finance for Sustainable Development Goals Challenge' led by the United Nations Capital Development Fund (UNCDF).<sup>42</sup>

The stand-alone bibliography released alongside its final report is testimony to the work of many and the growing importance of the field.

This final report is organized in three main sections:

- **Section 1 sets out the reasons for, composition of, and approach to the work of the Task Force.**
- **Section 2 maps the world of digital financing and its current relationship with the SDGs,** providing an analytic framework for the overall work, highlighting major developments in digital financing, and mapping progress in harnessing digitalization in financing the SDGs, along with associated barriers and risks.
- **Section 3 lays out the Action Agenda** for a catalytic process for realising key market opportunities and securing the underlying institutional and market conditions.



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