Report Summary

Digitalization changes everything and can accelerate the transition to sustainable development.

Ninety percent of today's available data has been produced in just the last two years. The 'new oil' of the global economy—more, cheaper and faster data—is driving a new generation of products and services, with dramatic changes in how they are created, delivered and consumed. Digitalization can contribute to sustainable development, but its net impact will depend on societal choices as to its application and governance. On the one hand, it can deliver new livelihood opportunities, provide better access to public services, lessen the carbon footprint, and enhance accountability and good governance. On the other hand, it can reinforce existing patterns of exclusion and discrimination, drive new forms of inequality and encourage unsustainable practices, including the environmental effects of digitalization.

Digitalization can help channel citizens' money to finance sustainable development. Financing needs to support the transition to an inclusive, environmentally sustainable pathway, represented by the Sustainable Development Goals (SDGs). Financial resources exist, in the form of savings and financial assets that belong to citizens around the world. The need is to channel these resources effectively through public and private means to finance the SDGs. Digitalization can help overcome key barriers to the alignment of financial flows with the SDGs, including a lack of awareness and capabilities, misaligned policies and broader incentives, and shortfalls in governance and accountability.

Digitalization is already supporting the financing of the SDGs. The issuance of over half a trillion dollars of green and sustainable development bonds, made possible by the availability of cheap and credible data, attests to the use of the


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> **Empowering people is ultimately how digitalization will help to finance the SDGs. So the Task Force is not concerned with digital innovation for its own sake, but in how it can empower people in making payments, borrowing, saving, lending and investing, and in how they can hold those accountable who manage and spend money on their behalf."**
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> MARIA RAMOS,
> Task Force Co-Chair and former Chief Executive Officer of Absa Group Limited

monies raised. Satellite imagery is increasing information flows to investors about climate risks and impacts, and it can identify emerging food security challenges. Governments are raising and saving money through digitalized tax collection and social welfare programmes. Millions of small businesses and citizens, including women and other historically disadvantaged groups, have better access to financial services through digital identification, big data and artificial intelligence. Solar energy units, financed through crowdsourcing and pay-as-you-go business models powered by mobile payment platforms, are now in the hands of millions of low-income households, improving household health, livelihood and educational opportunities.

Going forward, digitalization offers significant opportunities for accelerating the financing of the SDGs by supporting, for example, the following:

- **Increased mobilization of funds** by improving how domestic savings are channelled into long-term investment; reducing poverty by increasing savings through the access and use of digital savings accounts; enhancing government revenue by making it harder to evade the payment of taxes; and increasing the mobilization of international finance at a lower cost through improved measurement and management of risks and impacts.
- **Enhanced use of funds** by improving the performance of public financing through better impact targeting and tracking, as well as strengthened public accountability; augmenting the performance of impact-conscious investors by raising the quality and reducing the costs of tracking; achieving greater alignment of private financing with the SDGs through better and cheaper assessments of SDG-relevant financing risks and opportunities; and increasing overall alignment by strengthening data-supported policies, including fiscal incentives, regulations and standards.

Digitalization could support three disruptive waves of change that could dramatically shift the centre of gravity of the financial system towards the citizen. Simply better, cheaper and more accessible information could support the first wave of opportunities to empower citizens in their financing decisions, from their roles as savers and borrowers to consumers and pension policyholders. Disruptions caused by digitalization that disintermediate incumbent financial intermediaries, such as banks, could provide a second wave as new data-fuelled actors find fresh ways to customize and deliver finance. Finally, digitalization could offer citizens the means to act collectively, providing a potential third wave of opportunities for citizens to take more control over their financial lives.

However, the potential sustainable development dividends from digital financing are not guaranteed by the technology or market innovation alone. Notably, the dividends are not available to those people without access to affordable digital infrastructure, those lacking the necessary digital capabilities or those deliberately excluded from access to digital opportunities. For those with access, digitalization can deliver benefits but also bring uncertainties, risks and negative consequences. Unchecked, artificial intelligence could lead to exclusionary profiling and more opportunities for the channelling of illicit financial flows. Ever faster, hyper-liquid financial markets could reduce financing for the SDGs by increasing the profitability of short-term trading. Digital currencies could take away countries' ability to manage their own monetary and economic affairs, just as easily as they could smoothen and cheapen payments. Today's digital disruption of incumbent financial institutions does not alone prevent the emergence of new, digitally powered forms of market concentration.

Robust governance innovations are needed to ensure that digitalization supports the alignment of finance and money with citizens' interests and sustainable development. Shaping digital financing in the public interest is one of the governance challenges of this time. Approaches siloed by jurisdiction, governance domain and impact area are unlikely to be sufficient. There is a need for governance innovations that are underpinned by strengthened mandates, capabilities and instruments of central banks, financial regulators and standard-setters, as well as enhanced collaboration among all of those bodies and members of the broader policy community. Attention will need to be paid to how digitalization itself is expressed in new forms of governance, embedded in technical standards, protocols and algorithms, and deployed through new business models. It will be critical to ensure that there is an inclusive approach to the evolution of such new rules of the road, to maximize the potential benefits of governance and associated market innovations while avoiding the possible negative effects of a new generation of exclusionary, institutional arrangements.

Findings to date point to some high-potential areas on which the future work, initiatives and recommendations of the Task Force will focus:

1. **Identifying major areas of opportunities** for advancing digital approaches to the mobilization and effective use of finance in support of the SDGs, both to address supply (including the public and private use of domestic savings and international capital flows) and to address specific aspects of sustainable development (such as gender, climate and displaced people).

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The Task Force is not looking to write up what is happening today but rather is mandated by the Secretary-General to understand and anticipate how the profound changes at the intersection of finance, technology and sustainability are going to determine the actions of both governments and of market actors.”

ACHIM STEINER,
Task Force Co-Chair and Administrator of the United Nations Development Programme

2. **Supporting the governance innovations** necessary to overcome barriers in harnessing digitalization for the financing of the SDGs while mitigating risks arising through digitalization (including the consideration of roles for policymakers and corporate governance as well as non-traditional approaches to governing finance and money involving state and non-state actors).
3. **Building national and regional capabilities** to accelerate the local development of SDG-aligned digital financing and to better align international developments in digital financing and money with domestic priorities (including ways to stimulate and shape market innovations to support SDG-aligned financing).
4. **Pinpointing needs and occasions for international cooperation** (including the United Nations) to realize opportunities, overcome barriers and risks (including through investments in key infrastructure and access enablers for women and other disadvantaged groups) and develop critical capabilities (including those of developing countries to engage in broader developments in digital financing).
5. **Measuring progress** in harnessing digital financing of the SDGs and supporting more systematic international, national and regional planning and policy development as well as coordination with business and other non-state actors.

This Progress Report is an open invitation for contributions by policymakers, experts, market practitioners and consumer advocates in addressing these focus areas. The mandate of the Task Force is to provide recommendations and catalyse initiatives that will result in the more effective harnessing of digitalization for the financing of the SDGs. Its work to date has benefited from many contributions of analyses and insights, as well as broad recommendations and proposed initiatives. While building on the progress made to date and delivering its final report in the first half of 2020, the Task Force hopes to benefit further from such inputs. It, therefore, invites analyses and proposals for recommendations and specific partnership initiatives. As part of its ongoing outreach efforts, it will continue to engage in dialogue with policymakers, experts and practitioners, while drawing from major reports and ongoing initiatives such as the Secretary-General's High-Level Panel on Digital Cooperation and the United Nations initiative Financing for Development.

For a complete version of this report, go to

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