Responsible Finance for Digital Inclusion: Investing for Impact
Washington, DC| April 3-4, 2019

Session Date & Time: April 3, 2019, 12:15-12:30
Title: Digitalization and the SDGs
Speaker: Till Bruett, UN Secretary General's Task Force on Digital Financing of SDGs, UNCDF

- Till Bruett (UNCDF) said that technology is changing everything. We need to figure out how we embrace this technology and make sure how we can shape this technology so it's responsible. If we don't do it now, we're going to miss this opportunity. The digital financial architecture is being created now. We need to be vocal, and as agile as possible if we want our voices and ideas to be heard.
- Ten years ago, the first app was created. For context, Obama had just become president, and M-Pesa was starting. Think about how things have advanced in 10 years. We have 10 years left to meet the goals for the SDGs.
- Digitalization changes everything.
  - While we think about payments being very exciting, the financial sector is very resistant to change and slow to adapt. The high cost of entry is an inhibitor, as well as the costs of infrastructure, capital, technology, and regulatory compliance. When those barriers are removed, we see change very quickly. We've seen a lot of examples of that in the payment space. These barriers are changing and we're in for an interesting ride.
  - With payment spaces and open banking, there is significant fragmentation developing that seeks out inefficiencies and finds ways to make money by eliminating them
  - In the capital markets space, we're seeing an uptick in change. The insurance market, while a laggard, is attracting a lot of attention
  - Different platforms are capturing the scene: social platforms, commercial platforms, payment services, non-transactional financial services.
    - Social platforms are moving into payment service models like Amazon or Ant Financial. These are playing major roles in financing.
    - Alibaba is entering the insurance market as well, and was originally created as an eBay combined with PayPal. Then it became similar to Amazon. Now it has become Alipay and has entered banking where it provides money-market accounts to its customers. It just made some significant acquisitions in MSME lending business, which they base on data they gather from e-commerce, payments, and savings.
    - The rise of platforms is reaching the developing world now and is expanding through access and partnerships
- For those of us interested in building inclusive financial systems, institutions are no longer the primary means.
- When microfinance becomes inclusive finance, inclusive finance needs to move to inclusive digital economies.
- So, we need to change our perspective and shift the way we do business.

- We need to change our thinking from micro to macro because things are happening on a systemic level. We need a shift in thinking, and from an investment perspective, we should consider networks and systems which are different from the bank analytics.
- Market level can lead to progress way down the chain. It is important to make sure nobody is left behind and include our partners in this thinking as well.
- We are returning to the idea of finance bundled with other services

- Payments
  - For digital finance and microfinance, there is a limit to whom you can serve. The limit is due to business models, which are in turn driven by cost
  - Going digital with agents is cheaper than branches, but the cost structure is driven by need to pay commissions to agents or tech companies, which are passed to the client.
  - Also be aware that markets plateau because business models that dominate digital (P2P; cash in/out, etc.) can only go so far to reach the poor.
- Finance could have significant influence on the SDG and one where digital transformation is likely to have an in impact on the SDG.
- Our ability to finance SDGs will be linked to how SDGs are benefiting from technology in other ways.
  - We have to start thinking about the ways in which technology can be applied to these broader problems. Not all SDGs will be equally distributed by tech and finance. That links back to the conversation we were just having. It's all about data and technology that will allow us to engage in a financing method in order to become sustainable and profitable.
  - You're going to see a lot of rushing into some of this space in terms of financing where it's easier to measure issues and risk. So, this will become more competitive with private investors. What do you do? Do you move on and go to something that is more difficult and competitive?
- The Task Force on Digital Financing of SDGs
  - How do we harness this financial technology in a positive way to fund the SDGs? This is a task force of industry leaders (CEOs, etc.) that was compiled to help advise on work in the area. They ask questions such as: What do we see? What are the big opportunities? What concerns us the most? How do we ensure the future good? It's been a fantastic panel to work with. This panel is great, but they don't have everything. We have been crowding in others to get everyone's thoughts and ideas. Our goal is to harness those so that when we do report back to the SDGs, we can say we've looked under every rug.
  - Everyone can approach issues in different ways (SDG-led approach; SDG barriers-led approach; tech-led approach; finance-led approach; etc.)
  - The problem isn't money. There's money out there, but the problem is that money isn't going toward things for sustainable development.
  - There's a direct link where you can have a shift in behavior. There's a change in governance where people are connected to companies.
  - It could also lead to changes in power. Gong digital provides power to less privileged groups.