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

SDSN Germany

Sustainable Digital Finance Alliance

Conference Report

Connecting the Dots: Digitalization, Finance & Sustainable Development

How can financial innovations, new technologies and digitalization contribute to financing sustainable development? While the critical role of finance for achieving the Sustainable Development Goals (SDGs) and the climate goals is widely understood and accepted, the disruptive as well as leveraging role of digitalization for both the finance sector and sustainable development still needs to be further explored. Driving this debate forward was the key aim of the high-level conference 'Connecting the Dots: Digitalization, Finance & Sustainable Development', which took place at Allianz Forum in Berlin, Germany on 27th January 2020. The conference was organized by the Sustainable Development Solutions Network Germany (SDSN Germany), the Sustainable Digital Finance Alliance (SDFA) and the UN Secretary General's Task Force on Digital Financing of the SDGs in cooperation with Frankfurt School of Finance & Management.

Michelle Schmitz (Allianz SE)

Michelle Schmitz, Head of Berlin Office at Allianz SE, and Gesine Schwan, Co-Chair of SDSN Germany, welcomed the participants. The introductory keynote speeches by Werner Hoyer, President of the European Investment Bank (EIB), and Norbert Gorißen, Deputy Director General at the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), were followed by two panel sessions. The conference brought together more than 140 experts on digitalization, finance and sustainable development from Germany, as well as European and other countries.

The United Nation's Secretary-General has appointed the Task Force on Digital Financing of the SDGs to investigate how potentials can be unlocked while simultaneously managing associated risks that may go in hand with new financial innovations, technologies and digitalization processes. The Task Force is going to publish its final report in June 2020, which will offer recommendations on how to harness the digital revolution to advance the SDGs.

Gesine Schwan (SDSN Germany)

Werner Hoyer (European Investment Bank)

Financing sustainable development

The SDGs play a key role in enacting sustainability on a global scale. In this context, digitalization processes and the mobilization and redirection of financial flows from the public and private sectors are considered highly important for the achievement of the Sustainable Development Goals (SDGs). But how can these financial means not only be raised at greater speed and scale but also be spent for corresponding SDG-related policies and projects?

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While it is true that digitalization may change our everyday life in every aspect imaginable, the countless accompanied outcomes should be seen as a chance rather than a risk. Given the fact that there are still 800 million people unconnected and around 3.3 billion people under-connected, digitalization can lead to new pathways for financial flows and to the achievement of the SDGs in general.

Norbert Gorißen (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety)

The conference built on the impression that climate change played an unprecedented role at the World Economic Forum in Davos the week before. The current momentum towards coping with global warming should not only be used to speed up processes on all scales and by all involved stakeholders but also to engage young people to get involved in politics and make their voices heard for the sake of sustainable development around the globe. The private sector needs to play a critical role, as the public sector on its own can by no means provide enough financial capital to achieve the SDGs and allow for a turn-around towards a carbon-neutral economy. To start investment on the ground, banks have the responsibility to leverage this money from the private sector. Finance institutions are critical for a turn-around in the energy sector, clean and sufficient water supplies, health or the empowerment of (young) women and thus present a powerful and relevant lever to further strengthen the alignment with sustainable development policies. At the same time, finance institutions also need to reduce investments in heavily polluting "brown" industries. The implementation of so-called SDG bonds for common goods like water, health or education and the promotion of projects in the private sector help to support public infrastructure or speedy digitalization processes. In accordance with the launch of new satellites, the connection of rural Africa to the digital world may allow countries on the continent to see an unprecedented boost to their businesses. Since this is a mostly untapped phenomenon, the current momentum can give a sense of optimism for the next decade.

Simon Zadek (UN Secretary General's Task Force on Digital Financing of the SDGs)

The remaining years until 2030 are supposed to be the decade of action for financing sustainable development and implementing the SDGs. Over the next few years, it will be decided whether carbon emissions can be reduced to zero by 2050. In addition to financial capital, political will is needed at greater force to achieve these self-declared goals. The public sector has to play a significant role in that regard by continuing support for ongoing SDG-related projects.

In particular, if the current transition phase is managed properly, there is a good chance that the economy can actually benefit. Against this backdrop, public and private investors should only fund projects that are in line with the 2030 Agenda and the Paris Agreement while simultaneously companies should refrain from projects, which are not (the so-called brown projects). Financial institutions and companies have to make sustainability central to their investing strategies.

Building on the current momentum, the real economy for the SDGs both in the EU as well as globally has to be strengthened. Thus, Germany's presidency of the Council of the EU in the second half of the year 2020 should be taken as an opportunity to create and foster the nexus between digitalization, finance and sustainability.

Building bridges: Where fintech and SDGs connect

Marianne Haahr (Sustainable Digital Finance Alliance)

Mobilizing and allocating the huge amounts of financial resources required to achieve the SDGs at first sight seems to pose an enormous burden but on second sight offers a significant growth potential. To capitalize on this potential, is a particular challenge for many low and middle-income countries due to their comparatively low GDP and low revenues through taxes and trade. Digitalization may enable these countries to gain new access to financial goods and lower transaction costs.

Although different steps towards digital financing have taken place all over the world, no one – to speak the language of the conference – has connected the dots yet to a holistic approach that could globally lead to new financial flows towards the achievement of the SDGs. In this context, special attention has to be paid to potential risks that may come along with the use of financial technologies. Even though fintech can offer new chances for many countries worldwide, it remains to be seen whether these new technological means will give more people access to financial markets or if high-speed trade and investment will rather lead to new structural instabilities and market concentration in the financial sector. These uncertainties make it difficult to predict how exactly digitalization may change the financial sector. These potential negative spill over effects should be taken into account.


Christian Vollmuth (Solactive), Moderator Conny Czymoch


Natalie Jabangwe (EcoCash)

Digital solutions can lead to a better inclusion of customers through the democratization of finance and allows faster transaction of money or loans, such as through mobile payment solutions that enable customers to complete financial transactions directly from their mobile phone.

Karsten Löffler (Frankfurt School of Finance & Management), Sabrina Schulz (KfW Group), Natalie Jabangwe (EcoCash), Christian Vollmuth (Solactive), Moderator Conny Czymoch

Meaningful national and international regulation of digital finance is necessary. The needs of people should to be at the centre of regulation and investments while simultaneously not restricting innovations.

Karsten Löffler (Frankfurt School of Finance & Management), Sabrina Schulz (KfW Group)

Over the past years, green and sustainable finance has moved from a niche to a mainstream issue. There is a need for the reinvention of the finance sector itself and an easily accessible standardized data pool to achieve transparency. SDG- or climate-related indices may lead to a potential boost for the SDGs.

How to leverage innovation for financing sustainable development

Fintech companies and start-ups have been upending the financial sector around the globe over the last years. Some of them explicitly gear towards sustainable development and climate. As a knowledge partner to the UN's Taskforce, the Sustainable Digital Finance Alliance (SDFA) offers data for policy advice by summarizing developments in digital finance over time and for each country respectively.

Ludwig Schuster (Strategy Consultant), Marianne Haahr (Sustainable Digital Finance Alliance), Pooma Kimis (Autonomous Research), Martin Spolc (EU Commission), Moderator Conny Czymoch

The SDFA has developed a framework to measure progress in harnessing digital financing for the SDGs at country level. After the first stocktake of the Dutch landscape, the current report focuses on Germany. The report [('Fintech for Sustainability in Germany: Current Landscape and key opportunities')]() provides a mapping of fintech companies and shows which fintechs in Germany contribute to the achievement of the SDGs.

The most important results are: Comparatively small and young companies, mainly start-ups, dominate the SDG-Fintech-scene while well-established financial service providers play only a minor role. Most of the 'SDG-Fintechs' target SDG7 (affordable and clean energy). Other priorities are climate protection, innovation and digitalization as well as creating a sustainable economy. The identified 36 'SDG-Fintechs' constitute just 4-5% of all Fintechs in Germany.

Pooma Kimis (Autonomous Research)

A large proportion of Fintechs are nowadays located in the US or China since they rely on funds, technologies and innovations from these countries. The chance of becoming a multimillion-dollar company is significantly higher in these countries compared to the EU. The EU is at risk falling further behind because of impeding policy decisions, bureaucracy and the conservativeness of central banks and citizens. Thus, building a new environment in the finance sector to boost investment is very advisable.

In order to integrate climate change and the SDGs in this economic sector, green small-scale investments should be prioritized, a proper assessment of potential risks has to be provided by the public sector and rating agencies have to find ways to integrate sustainability into their portfolio.

Referring to the just recently announced European Green Deal, many synergies between the policy areas digitalization, finance and sustainability are to be expected. Hence, the EU needs to become better at creating an ecosystem in all its 27 countries around the SDGs while supporting both the public and private sector and enhancing measurement methods. Moreover, the role of banks in the context of climate change has to be specifically clarified.

Martin Spolc (EU Commission)

However, the EU needs to make the first move and progress will eventually take time. So-called Green Digital Finance Champions in the private sectors are needed to function as a spur for new fintech companies and to allow the EU to market itself internationally. Additionally, the different standards in the EU have to be considered when it comes to data ethics and privacy. Data protection for individuals has to be strengthened at all costs to ensure the development of a competitive digital financial sector.

Way Forward

Simon Zadek (UN Task Force), Marianne Haahr (SDFA), Adolf Kloke-Lesch (SDSN Germany), Moderator Conny Czymoch

Germany and the EU are lacking behind in the SDG-related fintech community. The EU currently does have an advantage in sustainable finance but not in digital finance. Digitalization has the potential to give power from finance institutions back to the people. Thus, we need a digital culture on a trial and error basis rather than looking for the perfect answer. Knowledge has to be better translated into policy decisions. The topic slowly but surely finds its way into policy debates.

The debate on the role of digitalization and finance for the achievement of the SDGs needs to be continued, particularly on ethical questions. The communities around digitalization, finance and sustainable development need to be better connected, building on the findings of the stocktake and the conversations at the conference. The insights and debates should find way into the German political debate, e.g. in the upcoming report by sustainable finance advisory board of the Federal Government, or the next, revised version of the German Sustainable Development Strategy.

About the organisers:

The German Sustainable Development Solutions Network (SDSN Germany) pools knowledge, experience and capacities of German academic, corporate and civil society organisations in order to contribute to the sustainable development of Germany as well as to German efforts for sustainable development across the globe.

The overall objective of the Sustainable Digital Finance Alliance is to leverage digital technologies & innovations to enhance financing for sustainable development.

UN Secretary General's Task Force on Digital Financing of the SDGs is mandated to put forward a concrete, actionable set of recommendations to identify ways through which the digital revolution should be harnessed to help advance the SDGs.

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