Statement by

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The focus of this Development Committee meeting on human capital, disruptive technologies, fintech and debt vulnerabilities is very timely as it relates to various important challenges in achieving the Sustainable Development Goals (SDGs) and the 2030 Agenda’s objective of “leaving no-one behind”.

At a time when countries are faced with multiple sources of volatility and vulnerability – such as trade and geopolitical tensions, financial volatility, climate change, high debt levels concurrent with large financing needs to close gaps in essential public services, social protection and infrastructure - urgent action is needed on many fronts. In this context, it is absolutely critical to invest in human capital; seize opportunities and manage risks posed by new technologies, including new financial technologies; and address debt vulnerabilities.

Investing in Human Capital

The UN welcomes the World Bank Group’s growing focus on the critical importance of human capital for advancing sustainable development, and especially the Bank’s role in marshalling stronger evidence on the productivity-enhancing impact of investments that improve outcomes in health and education.

For more than 70 years, improving health and education outcomes has been a priority for the United Nations. Human capital is not only instrumental to achieve a world without poverty and deprivations but it also helps people to lead lives they value. This is the fundamental premise of the human development approach - pioneered by UNDP – under which the objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives.

The Human Development Index (HDI), which measures progress in key dimensions of human development across countries, shows that on average people are living longer, are more educated and have greater income. This is even more evident in least developed countries, where average HDI levels have increased by 51 per cent since 1990, as compared to the 22 per cent global average increase.

Nonetheless, across the world massive disparities remain in people’s well-being. For instance, on average, a child born today in a country with low human development can expect to live just over 60 years, while a child born in a country with very high human development can expect to live to almost 80. Similarly, children in low human development countries can expect to be in school seven years less than children in very high human development countries.
Inequality in all its forms and dimensions, between and within countries, limits people’s choices and opportunities and impairs the quality and sustainability of economic growth. One key source of inequality within countries is the gap in opportunities, achievements and empowerment between women and men. Worldwide the average HDI for women is six per cent lower than for men, due to women’s lower income and educational attainment in many countries.

The 2030 Agenda is a culmination of multidimensional approach to sustainable development. The global Multidimensional Poverty Index (MPI), recently launched by UNDP and the Oxford Poverty and Human Development Initiative, provides a complementary picture of poverty to understand the many forms of deprivations experienced by those left behind.

The MPI looks beyond income to understand how people experience poverty in multiple and simultaneous ways. It identifies how people are being left behind across three key dimensions: health, education and living standards, lacking such things as clean water, sanitation, adequate nutrition or primary education. According to the 2018 global MPI, around 1.3 billion people live in multidimensional poverty.

Whereas developing countries have been building social protection systems and investing in public services to tackle poverty and inequality, these are often still very fragile. Economic and other types of shocks can easily set back progress. For instance, according to the MPI data, an estimated 879 million people are at risk of falling into multidimensional poverty, which could happen quickly if they suffer setbacks from conflict, sickness, unemployment, disasters and other shocks. Investments in health, education and social protection are vital to build resilience to various types of shocks and must be adequately and sustainably funded.

Investing in human capital is also essential to equip people with the skills and capabilities to thrive in a changing and interconnected economy characterized by the fourth industrial revolution. Not doing so, increases risks of rising unemployment and inequalities, and social instability. Strengthening human capital can mitigate the risk that skill-biased technological change leaves people behind, which may fuel discontent.

It is critical to invest not only in education and health sectors but also across a wide range of interventions that can raise human capital to accelerate progress towards the SDGs. For example, investing in sustainable and resilient infrastructure enhances access to basic services, education and work opportunities, and is indispensable for boosting human capital. Focusing on the importance of strengthening human capital, therefore, doesn’t imply prioritizing some SDGs at the expense of others. It should be seen as a contributor to a broader set of investments for sustainable development.

**Disruptive Technologies, Creating Opportunities and Mitigating Risks**

Technological innovation offers unparalleled opportunities to achieve sustainable development for all. New and improved technologies are needed to address many of the challenges that the world faces, including rapid urbanization, climate change and food insecurity – all of which tend to impact the poorest and most marginalised communities the most.

There are many promising examples of how new technologies are already being applied to help secure livelihoods and improve peoples’ wellbeing: digital technologies are boosting agricultural productivity through automated irrigation and crop scouting; artificial intelligence is helping make better diagnostics in health care; drones are delivering medical supplies; and satellite imagery is helping combat deforestation, to name a few.
New technologies, however, also pose risks, which need to be carefully managed. Technological innovation can deepen inequalities within and between countries. Those with the most to gain from new technologies are also the most likely to be locked out of the benefits. One billion people worldwide lack the necessary digital literacy and skills. Less than half the world’s population uses the Internet. And there is a clear gender gap: globally, there are 200 million fewer women online than men.

It is also clear that disruptive technologies, such as artificial intelligence and automation, will shape the labour markets, with associated impacts on poverty and inequality. Development that relies on traditional industrialization and manufacturing may no longer be an adequate pathway to progress.

Harnessing the opportunities of technological change to achieve the SDGs for all will require a new breed of policy responses and business decisions that are guided by the commitment to eradicate extreme poverty, curb inequalities, confront discrimination and fast-track progress for those furthest behind.

Efforts to strengthen education systems need to be part of the approach. This includes promoting lifelong learning and digital skills to foster adaptability and better match skills with future employment needs.

If carefully managed, disruptive technologies also offer significant opportunities for developing countries to shift to new development paths. Governments play a critical role in fostering the investment required to close the technological gap through the combination of public policy and private enterprise. Many countries will need to implement policies that reinforce the competitiveness and ethics of business environments, put in place supporting infrastructures, regulatory frameworks that enable the wide-spread adoption of new technologies and improve connectivity.

Helping countries to do this is something that is very much on the UN’s agenda. Last September the UN Secretary-General launched his strategy on new technologies which defines how the UN system will support the use of new technologies such as artificial intelligence, biotechnology, blockchain, and robotics to accelerate the achievement of the SDGs and to facilitate their alignment with the values enshrined in the UN Charter, the Universal Declaration of Human Rights, and the norms and standards of international law.

Accordingly, the UN will work closely with new and existing partners to overcome challenges and reconcile interests, especially in the areas of privacy and human rights, ethics, equality and equity, sovereignty and responsibility, and transparency and accountability.

The newly established UN Legal Identity Experts Group will also focus on how the UN can help countries use digital technologies to close the identity gap, where 1 billion people in the world cannot prove who they are. The Experts Group will likewise examine the effects of centralized, digital population registers on the complex issues of privacy and data protection, and will assist in the development of UN policy in these areas.

**Fintech**

Continuing and rapid evolution of financial technology presents important opportunities to advance financial inclusion around the world, particularly in economies where traditional financial access is scarce. Indeed, in recent years, the digitalization of finance has expanded access to financial services for hundreds of millions of people. Fintech can also help reduce cost and increase volume of remittances which constitute a significant inflow of resources for many developing countries.

At the same time, the progress of financial inclusion is uneven and large gaps remain, especially in the poorest countries, for women and micro, small and medium-sized enterprises. Financial innovation offers great potential to scale up coverage and help close these gaps.
It is in this context, that the UN is committed to galvanizing action to exploit the potential of financial innovations, new technologies and digitalization to provide equitable access to finance, which is key for sustainable development.

It is important to be aware that fintech also raises potential risks to customers, financial market stability and the conduct of monetary policy. Effective financial system regulation is necessary to monitor any systemic or consumer risks that may arise from digitalisation of finance.

As the UN Secretary-General announced last month, the UN will bring together policy makers and financial regulators, as well as the innovators in the space of digital finance and fintech, to exchange information and good practices. Our aim is to explore the implications of new financial technologies, especially the digitalization of finance, for regulatory frameworks, and frame the development of global norms for effective use of fintech. Such exchanges could also foster a deeper understanding of the potential risks to financial and economic stability, and the development of approaches to minimize and more effectively manage such risks.

Addressing Debt Vulnerabilities in Developing Countries

A rapidly growing number of developing countries are acutely vulnerable to debt distress. At a time when governments are faced with large investment needs for the SDGs, debt sustainability threatens to become a major stumbling block to realizing the 2030 Agenda, and potential debt crises could reverse recent gains.

Debt challenges are widespread across different types of countries – from emerging markets to Small Island developing States (SIDS) and least developed countries (LDCs). Thirty low-income countries and LDCs are now considered at high risk of or in debt distress, and debt-to-GDP ratios exceed 70 per cent in a third of all SIDS. While idiosyncratic factors play a role, they are all exposed and vulnerable to deteriorating global conditions, such as rising global interest rates and volatile capital flows or more frequent and more intense climate-related disasters.

To avoid derailing SDG progress, the global policy toolbox to address debt distress must be expanded and the global response reformulated to match the scale of this challenge. Policy action is needed to retain fiscal space for SDG investments and to prevent and resolve debt crises that would undermine realization of the 2030 Agenda.

First, debt challenges underline the need for increased tax revenue in many countries. Developing countries’ tax-to-GDP ratios remain far below developed country averages, particularly for least developed countries. This underscores the continued importance of access to concessional finance and external grants — some of such finance could and should also be deployed to help raise domestic resources. A comprehensive approach targeting all sources of finance, as put forward in the Addis Agenda, is needed.

Second, when setting debt limits, the international community should differentiate based on how borrowed resources are used. Well-designed public sector investments that boost the productive capacity of an economy can result in higher income for the government and help offset the associated debt service. Debt sustainability assessments (DSAs) should incorporate these growth-enhancing effects, so that the door is not closed on critical SDG investments.

Third, innovative instruments can enhance debt crisis prevention. Debt crisis prevention is a long-standing priority by the international community, evidenced in capacity support for effective debt management, and efforts to increase transparency by both borrowers and lenders. More recently, state contingent debt instruments (SCDIs) have been put forward as a tool that can reduce risks to sovereign balance sheets. So
far, efforts to develop this market have not led to uptake at scale, but public creditors should consider increasing the use of state-contingent instruments in their own lending to lead the way.

Finally, there is scope to improve arrangements for resolving sovereign insolvency crises. As the official creditor landscape has changed, there is a need to adapt official creditor coordination mechanisms to reflect the rise of lenders outside the Paris Club. Various soft law approaches developed at the UN have put forward principles and guidelines for interactions between debtors and private creditors. With political agreement, these types of guidelines could become accepted standards and guide courts.

**The Role of the United Nations in Financing for Sustainable Development and the SDGs**

Last month the United Nations Secretary-General launched his strategy for Financing the 2030 Agenda for Sustainable Development, laying out actions the UN will take to accelerate financing the SDGs. The strategy leverages the convening power of the UN to bring together the relevant actors to accelerate mobilization of finance for the 2030 Agenda. It builds on the Addis Ababa Action Agenda – as the global framework for financing sustainable development with concrete policy actions for the 2030 Agenda, as well as the Paris Agreement on Climate Action. It draws on the work of the Inter-Agency Task Force on Financing for Development, as well as on-going work within the United Nations on financing.

Deep changes, both across the business and financial sectors and in public policies, are needed to mobilize finance at the scale and speed necessary.

- First, we must align global economic policies and financial systems with the 2030 Agenda.
- Second, we need to create and/or strengthen sustainable financing and investment strategies at the regional and country levels.
- Finally, we must seize the potential of financial innovations, new technologies and digitalization to provide inclusive and more equitable access to finance.

It is imperative to strengthen public policies, regulatory frameworks and finance at the national, regional and global levels. Policies and regulatory frameworks need to be coherent with each other and with the 2030 Agenda. They should foster the mobilization of adequate and predictable financing for sustainable development.

The Strategy also frames the United Nations collaboration on financial matters with key partners, including the International Monetary Fund (IMF), the World Bank Group (WBG), the Organization for Economic Cooperation and Development (OECD), regional development banks and other development finance institutions.

**The Urgency of Climate Action**

As the UN Secretary-General has said “climate change is running faster than us and we are running out of time” as confirmed by the findings of the new report of the Intergovernmental Panel on Climate Change (IPCC). According to the IPCC, global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate. Limiting global warming to 1.5°C would avoid some of the more dangerous scenarios of climate change. For example, by 2100, global sea level rise would be 10 cm lower with global warming of 1.5°C compared with 2°C, which would expose 10 million fewer people to sea level rise. It would also expose several hundred million fewer people to risk and poverty by 2050 compared with

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1 Intergovernmental Panel on Climate Change, 2018. “Global Warming of 1.5°C”.
2°C. Every bit of extra warming makes a difference. Limiting global warming to 1.5°C requires urgent, ambitious and collective climate action in all areas.

Climate action provides an unprecedented opportunity to unlock massive economic and social benefits that can help us achieve the SDGs. Recent studies have found that low-carbon growth could deliver at least US$26 trillion in economic benefits by 2030 and create over 65 million new jobs. Climate action and socio-economic progress are mutually supportive.

We need strong political will and leadership to push for urgent and ambitious action now. As articulated by the UN Secretary-General, key priorities will include urgent shift to renewable energy by phasing out fossil fuels and expanding carbon price market - while also curbing existing and future energy demand through energy efficiency solutions.

Renewable energy is becoming increasingly available and affordable, with the market share growing from 16.7 per cent in 2010 to 17.5 per cent in 2015 and is expected to reach 21 per cent by 2030. According to IRENA, the global energy transition could contribute up to US$10 trillion every year by 2050 and boost the world GDP.

We need to significantly boost public and private investment, including innovative financing mechanisms, for climate action. This includes ensuring developed countries honor their financial pledges under the Paris Agreement, including the US$100 billion per year by 2020 pledge. This also means rigorous and transparent tracking of global public and private finance flows to ensure accuracy.

Financing adaptation and resilience is also critical. While the world takes steps to reduce carbon emissions, for many of the most vulnerable and most exposed, this may be too little, too late. A strong focus on adaptation and risk reduction is necessary to ensure we can sustain and advance national development priorities and achieve the 2030 Agenda.

We are hopeful that we can achieve the ambitious goals set out under the Paris Agreement, as the motto for the 2019 climate summit states – it is “A Race We Can Win”. We should build on the progress being made. For example, the International Development Finance Club (IDFC) has recently reported that in 2017 its members committed USD$196 billion in climate finance and USD$24 billion to other environmental objectives. The IDFC also reported that despite doubling from 2016, adaptation to climate change still represents 4 per cent of its total green finance.

**United Nations – World Bank Group Collaboration**

The UN System’s collaboration with the World Bank Group continues to strengthen. Related to financing for the SDGs, the UN Secretariat has worked closely with the World Bank, along with the IMF, WTO, UNDP, UNCTAD, and more than 50 UN and other agencies, to produce the 2018 report of the Inter-Agency

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Task Force on Financing for Development (IATF). We also collaborate with the World Bank, IMF and OECD in the Platform for Collaboration on Tax.

The UN and the World Bank Group are also working together through various key strategic partnerships related to climate action. For example, the NDC partnership is helping to support countries to put in place the necessary mechanisms to implement NDCs. We also work through the Invest4Climate platform and the Insurance Development Forum (IDF), which are both, in their different way, identifying and facilitating transformational initiatives for scaling up climate action in developing countries. Increasingly public-private partnerships are at the heart of the way the World Bank and UN system are working together.

The recently launched Famine Early Action Mechanism (FAM) is an example of an important multi-stakeholder partnership co-owned by the World Bank and the United Nations with the cooperation of humanitarian development organizations, tech companies, academia, the insurance sector and others. FAM seeks to provide an international platform to support data-driven financing and operations in high risk countries to give a more accurate picture of food security in real time, trigger early action, and prevent food insecurity and famine. Its value proposition also includes scaling up development actions that reduce underlying vulnerabilities to extreme poverty and build coping mechanisms and systems.

These are just a few examples of our collaboration. The United Nations appreciates the continuing collaboration with the World Bank in these and many other areas in support of the progress towards the SDGs.