

Development in the Digital Age



Mahmoud Mohieldin
Senior Vice President
World Bank Group
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An increasing body of research is showing that digitization is accelerating growth and development impact

Multiple studies have shown a positive correlation between broadband and GDP¹

McKinsey Global Institute: e-payments could facilitate financial inclusion for up to 1.6B people and reduce government leakage by \$110B

Deloitte: Increased internet access could save nearly 2.5m lives in developing countries

However there are also costs associated with digitization ranging from disruption of existing jobs to cybercrime



Digital economies **change the economics of serving poor people** by reducing costs, disintermediating value chains, and creating new market places...



...By starting through simple use cases that connect people, such as social media, they quickly become **a channel for high-impact delivery...**









...That rapidly connect large numbers of the poorest, most hard-to-reach people, and provides them with high-quality, targeted services and products resulting in **an entirely new development paradigm across a range of SDGs, supporting IDA18 theme: Jobs & Economic Transformation**

WBG needs to increase its research capacity to provide the evidence for digitization and identify any necessary safeguards

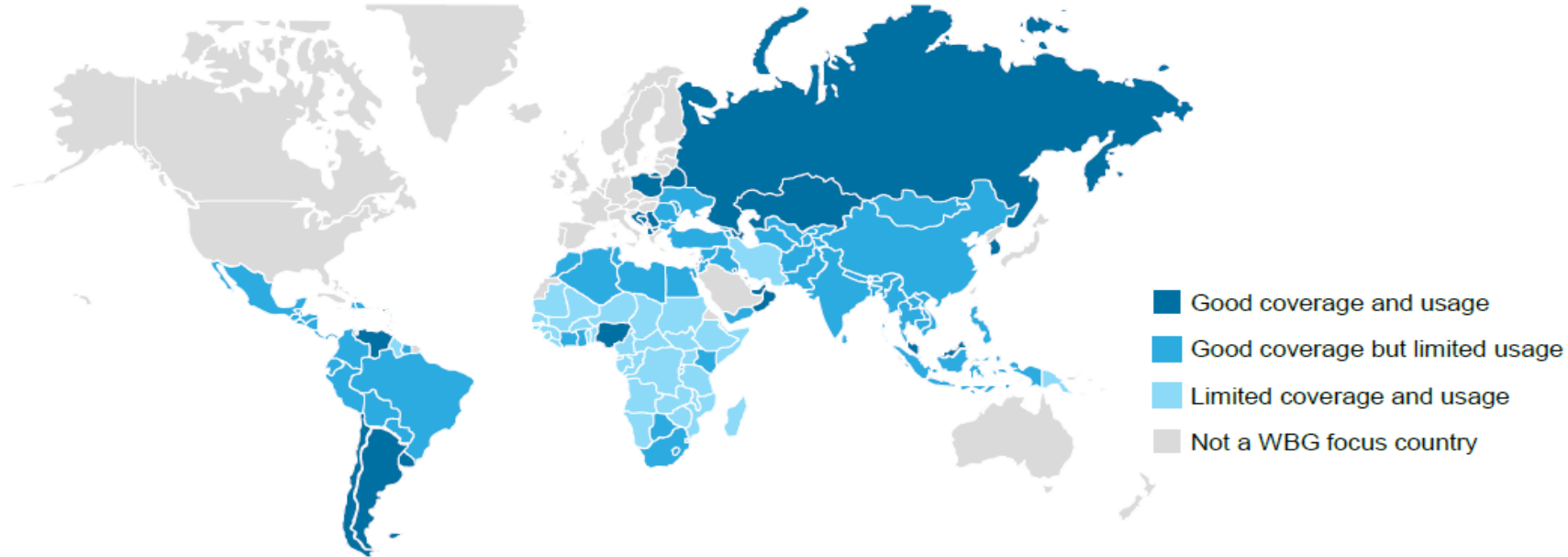
¹ GSMA; Ericsson; International Telecommunications Union; World Economic Forum; academic research

Digital solutions are transforming the delivery of products and services

		Traditional solutions	Digital solutions	
Service delivery	Health	<ul style="list-style-type: none"> Traditional healthcare is doctor/hospital-centric and difficult/slow to scale 	<ul style="list-style-type: none"> Digital solutions are transforming access/affordability and, together with AI, showing growing potential for diagnosis & preventive care 	
	SMEs	<ul style="list-style-type: none"> Small/informal enterprises lack access to markets / credit 	<ul style="list-style-type: none"> Online platforms and market places are accelerating access to markets/credit (Taobao serves over 4.5 million SMEs in China) 	
	Agri-business	<ul style="list-style-type: none"> Isolated farmers work in a traditional and inefficient manner 	<ul style="list-style-type: none"> Access to information help's farmers improve yield/connect with supply chains (mKrishi increased farmer profitability by 45% in India) 	
	Power	<ul style="list-style-type: none"> Due to limited grid coverage, rural populations are left without electricity 	<ul style="list-style-type: none"> Off-grid energy solutions linked to e-payments give access to remote populations (50M users so far, out of 1.2B lacking access to energy) 	
Government	Tax	<ul style="list-style-type: none"> Informality and lack of enforcement lead to significant tax avoidance and leakage 	<ul style="list-style-type: none"> Digital payments allow governments to increase tax revenue (Tanzania's VAT digitization efforts expected to increase tax revenue by \$477M) 	
	Government payments	<ul style="list-style-type: none"> Corruption and overpayment (e.g., ghost workers, duplicate social transfer recipients) 	<ul style="list-style-type: none"> Digital ID and payments ensures direct transfer of payments to confirmed recipients (reduce government leakage by \$110B) 	

However, digitization is still nascent in most emerging markets

4 billion people are currently not participating in the digital economy



Cutoff	40% of countries ¹	37% of countries	24% of countries
>70% 3G coverage	CONNECTED (3G+)		NOT CONNECTED
>60% internet usage	USING THE INTERNET	NOT USING THE INTERNET	
Opportunities	The digital economy is developed and key enablers are in place; there are opportunities for WBG to invest in disruptive use cases (e.g. e-health, online education, etc.)	Although connected, the country is gradually moving toward a digital economy; WBG can develop key foundational elements (e.g. e-payments, etc.)	The country is disconnected; WBG can develop digital infrastructure and enable the private investment environment

¹ 1 % of countries affected does not reflect population represented within each archetype

Digital disruption will impact countries differently and could exacerbate global inequality



The global impact of digitization will affect all countries – the only question is how?



Technology developments spurred by digitization are disrupting jobs as well as traditional paths to development



Countries must determine how best to harness the benefits of digitization

New digital development paradigm

WBG countries need to springboard their development path

Most developed

Most advanced in the digitization process – gaining the most but also facing the greatest disruptions

Least developed

Can gain the most in SDG benefits but will need significant public-sector investment to accelerate digitization

These countries can realize significant SDG gains but will also face disruption through automation

Financial Inclusion Solutions



M-Pesa...



Has achieved rapid, two-sided growth, growing its customer base and agent network 18% and 17% per annum respectively



Drove agent network growth reaching 151,000 agents after 10 years, across all networks

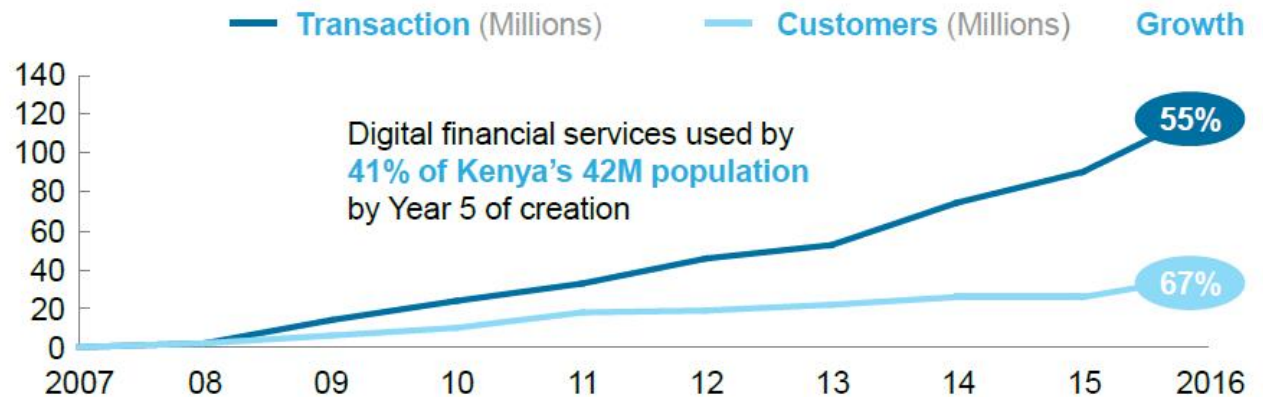


Facilitated access to clean water and off-grid power solutions that allow for scaled progress to SDGs











Lifted 2% of Kenya's households out of extreme poverty through mobile money services

Kenya Digital Financial Services



Digitization is Disrupting Every Part of Financial Services

Digitization Of:	Money	Cash Transfers	Identity	Origination / Lending	Payments	Capital Markets Infrastructure	Supply Chain/ Invoicing	Savings and Insurance
Drivers	<ul style="list-style-type: none"> Ecommerce Convenience Govt action (e.g. India) Transport 	<ul style="list-style-type: none"> Govt efficiencies Govt policy programs Fraud reduction 	<ul style="list-style-type: none"> KYC, security SIM reg., govt payments E-services, elections Falling costs biometrics Mobile devices 	<ul style="list-style-type: none"> Big data (KYC automation) Need for transparency + efficiency Convenience Digital identity 	<ul style="list-style-type: none"> Global trade Ecommerce Business & leisure travel 	<ul style="list-style-type: none"> Search for global returns Convenience of personal investments Democratization of share ownership 	<ul style="list-style-type: none"> Business need for efficiency, convenience, transparency Govt push for transparency + tax compliance 	<ul style="list-style-type: none"> Data analytics & underwriting Falling interest rates & invest income Business need for efficiency & risk assessment
Opportunities	Account service providers; cash collection networks; regulatory advice to govts	Govt payment contractors (govts may unintentionally create largest payment banks)	Govt platforms for digital ID followed by innovative private-sector led applications	Digital lenders, marketplaces, originators, Scale SME Lending, Robo advice	Money transfer operators, cross border payment networks, FX operators	Back office operations, main exchanges (stock, currency, bonds, derivatives)	Back office operations, exchanges, value chain securitization	Direct insurance, online brokers & advisors, data and analytics, aggregators
Location	Global - populous countries first	Markets with cash transfer programs	Country specific and global (ID4D is global, regional, country specific)	Global - focus on large demographics	Global - main trade corridors	Financial market capitals (NY, London, Tokyo)	Regional & cross border	Global, regional and country specific
Impact	1.5 Bn wallets in 6 years	Over 300m accounts	1.5 Bn people without ID	\$34 Bn in China alone	\$3.6Trn value globally p.a.	\$20Trn p.a. global flows	>\$1Trn p.a. in LAC alone	>5 Trn GWP, >15 Trn AUM
Examples								

Source: World Bank Group, 2017

FIGI FINANCIAL INCLUSION GLOBAL INITIATIVE



Thank You

worldbankgroup.org/sdgs



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