

## Financing Policy Brief Series – Recommendations for FfD4

### Digital Infrastructure Investment: Collaborative approaches and mechanisms to finance universal connectivity

**In preparing your inputs, please refer to the following guiding questions: “What are the key financing policy reforms and solutions that the fourth International Conference on Financing for Development should deliver? How could the Conference strengthen the follow-up process, to ensure accountability to and full implementation of commitments made?”**

Key messages (suggested word count: no more than 200 words)

- Digital infrastructure stands as a cornerstone for the digital economy and is linked with 70% of the Sustainable Development Goal (SDG) targets<sup>1</sup>. The UN [Pact for the Future](#) recently adopted, underscores a commitment to invest in resilient infrastructure, aiming to connect the 2.6 billion people still offline<sup>2</sup>.
- The absence of essential digital infrastructure presents a significant obstacle, especially in low and lower-middle-income countries<sup>3</sup>, restricting access to learning and economic opportunities. Building the necessary infrastructure to achieve universal connectivity requires substantial investment, but challenges such as demand fragmentation<sup>4</sup>, missing core infrastructure, and execution risks continue to deter it.
- Addressing these challenges requires maximizing the impact of traditional investments while also applying appropriate financing mechanisms and instruments. A collaborative approach that brings together the public sector, Development Finance Institutions (DFIs)<sup>5</sup>, the private sector, and investors is crucial for fostering innovation, improving coordination, and ensuring transparency.

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<sup>1</sup> According to the SDG Digital Acceleration Agenda (ITU, UNDP, 2023).

<sup>2</sup> ITU, 2023.

<sup>3</sup> Only 46% of the population in low and lower mid-income countries accesses the internet at adequate speeds, compared to 92% and 77% in high-income and upper-middle-income countries, respectively (DIII, 2024)

<sup>4</sup> In rural, remote, and underserved areas - which account for 70% of the existing connectivity gap - operating cost for digital infrastructure tends to be higher than direct revenues. Consequently, roll-out is not perceived as economical rendering traditional private sector-led financing models likely untenable.

<sup>5</sup> For the purposes of this policy briefing, the term 'Development Finance Institutions' includes international, regional, and bilateral institutions.

Initiatives such as the Digital Infrastructure Investment Initiative (DIII)<sup>6</sup>, and Giga<sup>7</sup> exemplify efforts moving in this direction.

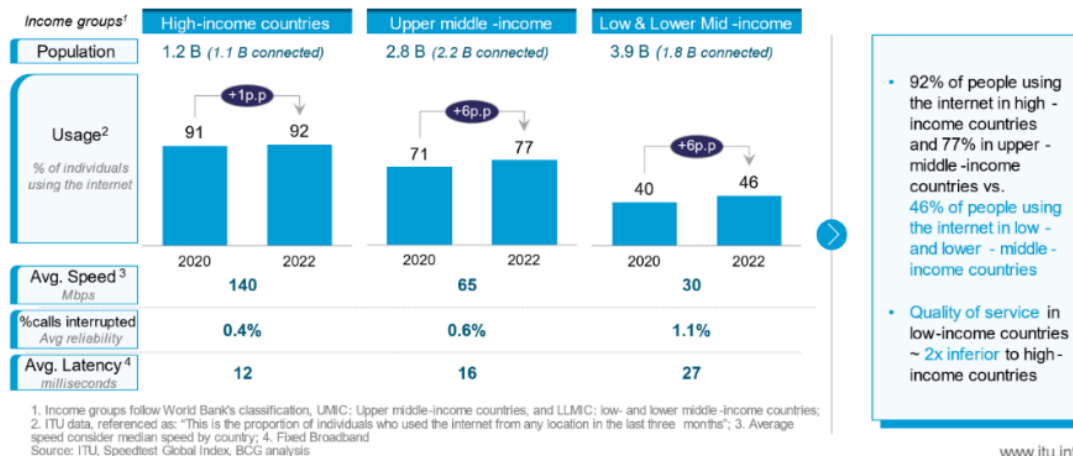
- The Fourth International Conference on Financing for Development (FFD4) can be a pivotal platform for advocating enhanced collaboration between the public sector, DFIs, the private sector, and other key stakeholders to catalyze investments in digital infrastructure. It also presents a prime opportunity to spearhead the development of green digital infrastructure and ensure investment accountability, paving the way for a more inclusive and sustainable digital future.

Problem statement (500 words)

**Brief overview of what needs to be addressed – e.g. financing/ policy/ international financial architecture challenges and gaps, including figures/charts, or other data and evidence**

Digital infrastructure is a key enabler of the digital economy and a critical factor in achieving the SDGs, with 70% of the SDG targets having a digital component. As of 2024, however, 2.6 billion people — approximately one third of the world population — remain offline. This digital divide is most acute in low and lower-middle-income countries, where only 46% of the population accesses the Internet at sufficient speeds, starkly contrasting with 92% in high-income and 77% in upper-middle-income countries.

**Internet usage increased since 2020; however, there is still a major gap, especially in UMICs and LLMICs<sup>1</sup>**



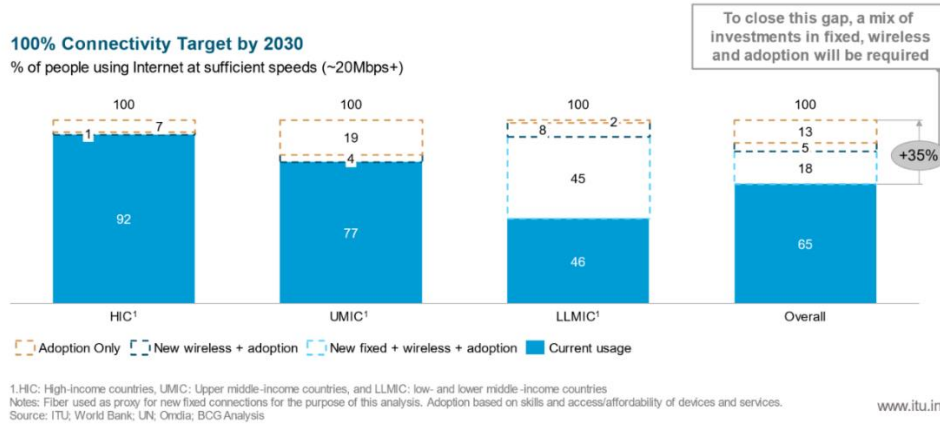
**Source:** Digital Infrastructure Investment Initiative 2024. Based on ITU data, Speedtest Global Index, and BCG analysis.

<sup>6</sup> In April 2024, the International Telecommunication Union (ITU) launched the Digital Infrastructure Investment Initiative. This initiative aims to spark investments in digital infrastructure and is jointly led by six DFIs: The Asian Infrastructure Investment Bank (AIIB), African Development Bank (AfDB), European Bank of Reconstruction and Development (EBRD), Interamerican Development Bank (IADB), International Finance Corporation (IFC), and Islamic Development Bank (IsDB). It also enjoys the backing of the Brazil G20 Presidency. A key part of this initiative is the formation of a working group, which includes over 40 stakeholders from the private sector, the public sector, DFIs, and academia. This group's goal is to explore innovative financial mechanisms and instruments that can accelerate investment in this area. The G20 Digital Economy Working Group (DEWG) has recognized this initiative in its [G20 DEWG Maceió Ministerial Declaration on Digital Inclusion for All](#).

<sup>7</sup> [Giga](#) is the ITU-UNICEF initiative to connect every school in the World to the internet.



## 35% of the global population are not using the internet at sufficient speeds, with highest gap in LLMIC



**Source:** *Digital Infrastructure Investment Initiative, 2024. Based on ITU, World Bank, UN, Omdia, and BCG analysis.*

Deficiencies — coverage, bandwidth capacity and transmission speeds — in digital infrastructure are among the principal cause for this gap. Building the necessary fixed and wireless infrastructure to achieve universal meaningful connectivity by 2030 requires significant investment. Closing the financial gap requires optimizing traditional investments — from both the private and public sectors, DFIs, investors, and philanthropists — as well as catalyzing novel forms of financing and enhancing the attractiveness of digital infrastructure projects to bring in additional investors.

Several challenges hinder investments in digital infrastructure<sup>8</sup>. These include demand fragmentation, which creates the perception that projects aimed at closing the digital gap are not economically viable for the private sector; significant gaps in core infrastructure, such as backbone networks; unclear or outdated digital agendas that are not always embedded in broader social development plans; and widespread execution or country risks.

To address these challenges, innovative approaches that adapts existing financial solutions to the diverse needs of different communities and regions while also exploring alternatives beyond conventional profit-driven models is needed. Enhanced collaboration among the public sector, DFIs, and the private sector is crucial for fostering innovation in digital infrastructure financing and reducing risks. By sharing best practices and identifying synergies, stakeholders can jointly design effective financing and operational models. Continuous dialogue also enhances alignment and transparency regarding national interests, contributing to establishing economically stable, investor-friendly environments.

While multistakeholder platforms exist, there is considerable room to improve communication and coordination among organizations, streamline operational processes, and increase agility in responding to rapidly changing digital needs.

Furthermore, developing a compelling business case is crucial for attracting new investment actors and addressing demand fragmentation, which remains a major roadblock to investment. Improvements in

<sup>8</sup> Challenges identified through discussions with DFIs, public and private sector representatives, and other key stakeholders in digital infrastructure.

impact measurement and accountability will support these efforts and are essential to ensuring that investments translate into tangible outcomes contributing to digital inclusion and sustainability.

As a result, two pivotal questions arise:

1. How can we enhance multistakeholder collaboration to not only improve current investment flows, but also attract new financing?
2. How can we improve digital infrastructure investment's impact measurement and accountability?

These questions are at the heart of guaranteeing a digital future that benefits all segments of society.

#### Policy solutions (500 words)

***Describe the policy reforms and solutions that could address identified challenges and gaps, being as specific as possible. What are the ideas for addressing the problem(s) identified above?***

Discussions with the public sector, DFIs, the private sector, and other key stakeholders in digital infrastructure<sup>9</sup> have underscored the need to strengthen multistakeholder collaboration to address the mentioned challenges. While initiatives like the Digital Infrastructure Investment Initiative and [Giga](#) are positive steps toward engaging diverse organizations in bridging the digital gap, there remains significant potential for more coordinated and systemic engagement to boost digital infrastructure financing.

Some potential solutions involving multistakeholder approaches include:

1. **Set up a joint DFI technical commission focused on digital infrastructure:** Establish a commission for DFIs to systematically share best practices and collaboratively address challenges. This commission would foster coordinated implementation and pooling of resources. It also could serve as a neutral platform to engage with other key stakeholders, including the public sector, international organizations, and the private sector, to improve project execution and risk mitigation<sup>10</sup>. By facilitating multistakeholder engagement, this platform would promote transparency and regulatory alignment and could also facilitate regional coordination on cross-border issues such as data transit.

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<sup>9</sup> Within the framework of the DIII initiative, the ITU engaged with a working group comprising more than 40 organizations involved in digital infrastructure investment to identify innovative financing mechanisms and instruments. These organizations include: AIIB, AfDB, EBRD, IADB, IFC, IsDB, Amazon, Axiata, BCG, Connect Humanity, Connectivity Capital, Convergence Partners, DBSA, DLA Piper, Echostar/Hughes Network System, Ericsson, EIB, E&, FTTH Global Alliance, Global Digital Inclusion Partnership, Google, Government of Brazil, Government of Lithuania, GSMA, Huawei, IEC Impact Fund, Internet Society, Kacific Broadband Satellites Group, Liquid Intelligent Technologies Group, Macquarie Group, Mawingu, Meta, Microsoft, Millicom International Cellular, MTN Group, Mozilla, Nokia Corporation, OECD, Orange, Ooredoo, Private Infrastructure Development Group, Samena Telecommunications Council, SBA Communications, State Secretariat for Economic Affairs (Swiss Government), Smart Africa, Telefónica, UNICEF, University of Pennsylvania, USAID, Viasat, Vodafone, World Mobile Group, and ZTE Corporation.

<sup>10</sup> Recognizing the importance of risk management, DFIs could strengthen collaboration with international organizations to adapt political risk mitigation tools, including credit guarantees and insurance, specifically for digital infrastructure projects.

2. **Orchestrate infrastructure investments beyond digital at country level to create synergies:** Reinforce country platforms to strategically coordinate infrastructure investments, including digital infrastructure, at the national level to create synergies that drive efficiency and cost reductions. This approach promotes the integration of digital infrastructure across the infrastructure value chain and can be expanded to regulations and funding programs to break down silos. Additionally, synergies with government services, such as education, healthcare, and other public services, could be leveraged to further catalyze connectivity.
3. **Develop a platform for pooled digital infrastructure investments:** Establish a platform that empowers smaller markets and entities, such as ISPs, by enabling them to showcase their projects to DFIs and private investors. Managed by experienced fund managers, this initiative would reduce investment risks and support early-stage project preparation while fostering innovation and competition.
4. Organizations could collaborate to link **financing models to measurable outcomes**, such as sustainability indicators, new connections, and market penetration rates, ensuring a robust monitoring process. Prioritizing social and environmental impacts is crucial for achieving long-term sustainability. Additionally, by evaluating the socioeconomic effects of connectivity, the business case for digital infrastructure can be strengthened, addressing demand fragmentation and stimulating investment in digital infrastructure.

#### Specific recommendations for FFD4 (300 words)

***Lay out specific recommendations for the Fourth Conference on Financing for Development, including how the outcome document of FFD4 could help address challenges and/or close gaps. What are the specific ambitions for the FFD4 outcome document in relation to the area of focus of the brief?***

The FFD4 presents a crucial opportunity to prioritize digital infrastructure investments within the action area of "Science, Technology, Innovation, and Capacity Building". Digital infrastructure is fundamental for developing digital economies and achieving the SDGs. Recognizing the investment gap necessary to develop the infrastructure for universal connectivity, addressing this challenge requires innovative financing models and strengthened collaboration across the public sector, DFIs, and the private sector.

#### **Recommendations for the Outcome Document:**

- **Foster Multisector Collaboration:** The outcome document should advocate for regular and structured collaboration between the public sector, private sector, and DFIs. This collaboration should build on existing initiatives like the DIII and Giga, and could be facilitated through forums, online platforms, or working groups focused on specific areas such as policy development or innovative financing models, thereby facilitating knowledge sharing and joint problem-solving.
- **Enhance DFI Coordination:** The document should encourage increased collaboration among DFIs in sharing best practices and identifying policies, regulations, and technological innovations that drive digital infrastructure forward.
- **Highlight Public Sector Roles:** The document should emphasize the pivotal role of the public sector in supporting digital infrastructure investments. By clearly articulating digital agendas and engaging with DFIs and the private sector, governments can collaboratively address challenges, co-design solutions, and create an investor-friendly environment.
- **Advocate for Impact Measurement:** The conference should champion the development and adoption of standardized metrics to assess the socio-economic impacts of connectivity

initiatives. Measuring the impact of connectivity investments will not only enhance accountability, but also encourage investment by highlighting the business case for digital infrastructure.

- **Promote Sustainable Infrastructure Development:** A specific call should be made for the development of sustainable and environmentally friendly infrastructure, advocating for the integration of environmental standards and technologies to minimize ecological impacts. Encouraging investments in renewable energy sources and energy-efficient technologies will support the sustainable development of digital infrastructure.

By advocating for the implementation of the outlined recommendations, FF4D can contribute to catalyze investments towards a more resilient and inclusive digital landscape that yield long-term benefits for communities, economies, and the environment.

**NB please also provide a 75-word summary of the brief for the website.**

Linked to 70% of the SDG targets, digital infrastructure is a cornerstone for developing digital economies and achieving the SDGs. Yet, with 2.6 billion unconnected people, building the necessary infrastructure to achieve universal connectivity requires significant funding. Closing the investment gap necessitates optimizing traditional investments, while also identifying adequate financing mechanisms to improve project attractiveness and attract new investors. Multi-stakeholder collaboration is crucial for devising innovative strategies to bridge the financing gap, ensuring universal, meaningful connectivity by 2030.