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Financing inclusive digital transformation under the EU Global Gateway

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The EU Global Gateway aims to support partner countries in developing sustainable digital infrastructure and regulatory frameworks to attract private sector investments, as well as provide digital economy packages to specific countries. However, to date, the EU has struggled to mobilise sizeable digital investments under the Global Gateway and demonstrate its strategic value.

In this paper, we argue that Team Europe – the EU, its member states and its development finance institutions – needs to develop deeper digital economy partnerships with a select group of partner countries and subregions, scaling up a bottom-up approach to increase finance and achieve strategic goals. Elements of this approach are gradually emerging, with the development of digital economy packages and informal D4D (digital for development) hubs in various countries. We lay out steps to further develop this approach.

Packages should be based on meaningful dialogue with partner countries and a comprehensive approach to working with the local digital ecosystem and other Team Europe members on the ground. This approach requires building alliances at the EU and partner country levels, agile decision-making and an integrated implementation framework that addresses local needs. The development of country-led and regional digital investment platforms would allow for better coordinated public and private financing, better sharing of information and bigger investments. Team Europe should also explore synergies with multilateral development banks and like-minded investors and donors, including the G7's Partnership for Global Infrastructure and Investment.

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Acronyms

AI	Artificial intelligence
BAG	Business Advisory Group
BMZ	German Federal Ministry for Economic Cooperation and Development
CFM	Climate Fund Manager
D4D	Digital for Development
DFIs	Development finance institutions
DG INTPA	European Commission's Directorate General for International Partnerships
EBRD	European Bank for Reconstruction and Development
ECDPM	European Centre for Development Policy Management
ECLAC	Economic Commission for LAC
EDFI	European Development Finance Institutions
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EU	European Union
EUD	European Union Delegation
G7	Group of seven
GEMs	Global Emerging Markets Risk Database
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Development Cooperation)
ITU	International Communication Union
JEFIC	Joint European Financiers for International Cooperation
JETPs	Just Energy Transition Partnerships
LAC	Latin America and the Caribbean
MCPP	IFC's Managed Co-Lending Portfolio Program
MDBs	Multilateral development banks
PDBs	Public development banks
PGII	Partnership for Global Infrastructure and Investment
PIPs	Proposed investment programmes
SIDA	The Swedish International Development Cooperation Agency
SMEs	Small and medium enterprises
SSA	Sub-Saharan Africa
TEIs	Team Europe Initiatives
UK	United Kingdom
UN	United Nations
US	United States of America
US\$	United States Dollar

Executive summary

This paper looks at ways to improve the European Union's approach to financing digital transformation in partner countries under the Global Gateway. It particularly looks at the kinds of measures necessary to effectively engage Team Europe members – including EU member states, their development finance institutions, public development institutions and private sectors – in order to mobilise more investments in partner countries. It argues that the EU is moving in the right direction by focusing the majority of its efforts on a selected number of geographies initially. Moving forward, the focus should be on developing a strong understanding of those geographies and their digital ecosystems, developing meaningful political dialogue, and working together with local authorities and with Team Europe members to further develop holistic digital economy packages in these geographies, complemented by country-led or regional digital investment platforms to facilitate digital investments, while building on private sector initiatives.

The EU Global Gateway initiative aims to support partner countries in developing sustainable digital infrastructure and regulatory frameworks to attract private sector investments, as well as providing digital economy packages to a number of countries. In practice, it also encompasses a number of Team Europe Initiatives (TEIs), large joint programmes bringing together the European Commission, EU member states, their development agencies and development banks, including under the aegis of the D4D Hub. These digital TEIs focus on a variety of topics, including data governance, e-health, regulatory frameworks, e-government and cybersecurity. They are mainly regional, targeting sub-Saharan Africa, Latin America Caribbean, and Asia-Pacific, and in some cases are global in scope.

However, to date, the EU has struggled to mobilise sizeable digital investments under the Global Gateway and to demonstrate its strategic value. Member state institutions have not demonstrated a strong interest in hard infrastructure investments, and have been slow to make use of the EFSD+ in the digital domain, with only Finnfund so far benefitting from an EU guarantee. In order to build a meaningful approach to financing digital transformation going forward, the EU should build digital economy partnerships that prioritise long-term collaboration and alliance building, country-led strategies, and plurilateral support for digital transformation.

At the partner country level, digital economy partnerships should be built on meaningful political dialogue with partner governments, align with the digital strategies of the focus countries and involve local stakeholders in the co-design of digital initiatives. To develop meaningful digital economy partnerships and achieve strategic aims, it is vital to develop a deep understanding of the digital landscape in partner countries, including existing regulatory frameworks, levels of hard and soft digital skills, the innovation ecosystem, and to identify key public and private actors and their motivations. By integrating bottom-up suggestions from communities, the EU can ensure that digital projects meet the specific needs and priorities of the local population. This approach not only accelerates project timelines but also enhances the overall impact and sustainability of digital transformation efforts.

By engaging with Team Europe members and with the private sector on the ground in partner countries, the EU can develop a meaningful analysis of existing public and private engagements and identify key stakeholders, including European agencies, investors, and companies, to spearhead digital initiatives in key partner countries. Coordination among European development finance institutions (DFIs), public development banks (PDBs), multilateral development banks (MDBs), development agencies, and private sector entities will be vital to identify high-impact digital projects and mobilise support for digital ecosystems and transformation programs. Specific attention should also be given to harnessing European investment promotion and export credit agencies to effectively support the European private sector engagement along digital investment value chains, including by SMEs. By compiling an inventory of ongoing initiatives, engaging with government agencies and local authorities, and collaborating with business advisory groups, the EU can strengthen cooperation and showcase successful examples of effective partnerships in digital development.

There is a need for a more comprehensive approach to digital infrastructure financing, moving away from standalone projects towards a strategic consortium of stakeholders supporting a multi-year digital transformation agenda. A digital investment platform, possibly facilitated by an institution like the D4DHub or a European PDB, in coordination with the partner country or regional institution, can enhance transparency, accountability, and knowledge sharing among coalition members, and can provide the basis for scaling up digital investments. By building on the digital investment platform and leveraging partnerships with financial institutions, MDBs, donor interventions, and initiatives like the G7 Partnership for Global Infrastructure and Investment (PGII), the EU can maximise its impact and contribute to holistic digital development in partner countries.

1. Introduction

Through the Global Gateway, the European Union (EU) aims to provide partner countries with a 'positive offer' for high-quality projects implemented with 'high levels of transparency and standards to deliver lasting social and economic benefits for local communities,' while pursuing the EU's geostrategic, economic and security interests (EC 2021). The digital pillar of the Global Gateway seeks to finance projects that enable digital transformation in line with European values and standards and narrow the digital divide in partner countries. A hallmark of the Global Gateway initiative is the priority placed on investing in deploying digital networks and infrastructure (hard digital infrastructure), including submarine and terrestrial fibre-optic cables, secure satellite communication systems, and cloud and data infrastructure. Digital economy packages will target specific partner countries, including Colombia, Kenya, Nigeria and the Philippines, with a number of investments.

Compliance is sought with EU standards and protocols for network security and resilience, cybersecurity, interoperability, and an open, plural, and secure internet. In parallel, the EU aims to support the strengthening of personal data protection, trustworthy artificial intelligence (AI), and fair and open digital markets. The Global Gateway also encompasses a series of regional and even global Team Europe Initiatives (TEIs) and programmes developed by the European Commission and the member states under the aegis of the D4D Hub, covering everything from digital health to data governance to e-commerce. Many of these programmes are in relatively early stages of planning. Achieving the various goals of the Global Gateway will require that hard and soft connectivity investments, development cooperation, trade and diplomatic efforts are better aligned and work together to reach concrete targets.

The EU's emphasis on international investments and development cooperation in the area of digital transformation is relatively new, and its prioritisation of digital infrastructure investments is entirely new under Ursula von der Leyen's "Geopolitical Commission." This has meant that expertise and structures to support this area of work are being developed from scratch at the EU level. Some EU member states have deep digital expertise, including in areas such as digital innovation, finance, data, skills and governance support. However, almost no EU member state has much experience in financing digital infrastructure. Team Europe currently depends on a relatively small group of experts and policymakers within the EU institutions, member states and development banks to try to achieve the goals set out in the Global Gateway and in the updated lists of Global Gateway flagships (EC 2023a).

The effort to scale up European digital investments outside of the EU is being led by the European Commission's Directorate General for International Partnerships (DG INTPA). To date, much of the attention has been focused on identifying a list of bankable digital infrastructure projects and providing access to guarantees, under the European Fund for Sustainable Development Plus (EFSD+), to public development banks (PDBs) and development finance institutions (DFIs), combined with relevant technical assistance, to incentivise and facilitate investments. The European Commission is also considering the feasibility of creating a new financing vehicle to mobilise public and private capital for digital infrastructure.

Yet, over two years after the launch of the Global Gateway, and as the European Commission completes its mid-term review of development instruments under the EU's 2021-2027 multi-annual budget, the EU's guarantees for digital investments are not yet or only starting to be implemented, and many member states remain hesitant to step up their support for developing and financing the digital Global Gateway, specifically its digital connectivity components. Several member states have a focus on other areas of digital transformation, including digital skills, innovation and governance, due to existing programmes and national interests, and are thus interested in directing financing towards other priority areas. Several member states are also particularly concerned about ensuring that the digital Global Gateway integrates a much more significant focus on small and medium enterprises (SMEs).

To jumpstart the EU's efforts to scale up international cooperation on digital policy, the D4D Hub's members and DG International Partnerships (INTPA) have launched a number of global and regional Team Europe Initiatives focusing on areas such as data policy in Sub-Saharan Africa (SSA), the Twin Transitions (digital and climate), the EU - Latin America and Caribbean Digital Alliance, e-governance, e-commerce and cybersecurity in SSA and much more. However, it is not always clear how this portfolio mix overlaps with the connectivity dimension in partner countries and, thus, how the different elements work together to contribute to the wider strategic goals of the Global Gateway. The development of regional D4D Hubs in key partner countries (including Kenya, Nigeria, Senegal, Tanzania and Columbia) is a positive first step towards a more coordinated bottom-up approach that can emphasise the synergies between the various efforts. However, to also contribute to digital transformation through digital infrastructure, financial support should be provided at scale and in a timely manner, which the slow implementation of the EFSD+ has hampered.

In this paper, we argue that developing deeper digital economy partnerships with a select group of partner countries and sub-regions will be vital to scaling up Team Europe's financing efforts and achieving its strategic goals. Such an approach is beginning with the development of digital economy packages and local D4D Hubs in various countries, notably in Africa, but more remains to be done to ensure these partnerships are strategically framed and that financing follows.

Packages should be based on meaningful digital dialogue with partner countries and a comprehensive approach to partnership with the local digital ecosystem and other Team Europe members on the ground. This approach will require alliance-building at both European and partner country levels, agile decision-making, and ultimately, a joined-up implementation architecture of tools and institutions with key partner countries that respond to local needs. One important element would be the development of country-led or regional digital investment platforms to facilitate information sharing and transparency, enable better-coordinated public and private financing to meet partner countries' priorities and facilitate scaling of investments. Specific attention should also be given to harnessing European investment promotion and export credit agencies to effectively support the European private sector engagement along digital investment value chains, including by SMEs. This approach would significantly expand the entry points for EU member states, their public institutions

(including financial institutions for development and technical/implementing development agencies), and private sector actors to contribute to the Global Gateway. Team Europe would also need to explore and expand synergies with other like-minded investors and donors in line with commitments recently made in Washington (WB 2024b), notably the G7's Partnership for Global Infrastructure and Investment (PGII). Finally, it would require significant commitments to speedily deploy and implement guarantees and other blended finance and donor support tools so as to mobilise public and private investments and support at scale for country-led strategic interventions.

2. The digital Global Gateway

While the Global Gateway acknowledges the importance of an enabling regulatory environment and of the wider digital economy, the digital Global Gateway emphasises digital connectivity as a priority for EU digital programming. This responds to a very real need from partner countries. Connectivity remains a major challenge for many countries around the world, and the Global Gateway specifically promised to help bridge this infrastructure gap. According to the International Communication Union (ITU), 2.6 billion people are still offline, accounting for one-third of the world population, with most of them living in developing and emerging economies; while in high-income countries 93% of the population uses the internet, the proportion falls to 27% in low-income countries, illustrating the digital divide (ITU 2023); these figures hide major variations within these regions, and even within countries.

Connectivity is also a key strategic interest for the EU. This was laid out in the February 2024 White Paper on mastering Europe's digital infrastructure needs, which focuses on the EU itself, but stresses the strategic importance of EU-based companies maintaining their role as major suppliers of equipment, and indeed of developing the value chains of the future in order to prevent critical dependencies. Furthermore, it echoes the Council and the State of the Digital Decade report 2023 in underlining the need for resilient submarine cable networks due to the risks posed by attacks on critical infrastructure. The latter report: "also issued a clear recommendation to Member States to boost the investments necessary for the security and resilience of such infrastructures. Member States have also committed to reinforce Internet connectivity between Europe and **its partners**, in the Ministerial Declaration on "European Data Gateways as a key element of the EU's Digital Decade" (EC 2024).

Of course, digital connectivity is only useful if paired with regulatory frameworks and digital public infrastructure such as e-governance and digital financial services to ensure social inclusion and that the benefits of digital infrastructure reach end-users. Yet, secure connectivity is a key enabler of all other digital sector activities. Solving the last-mile connectivity challenge remains the key to reaching the unconnected and guaranteeing them access to digital services as part of their economic and human development. In doing so, special attention must also be given to the gender dimension. In low-income countries, only 20% of women have access to the internet compared to 32% of men, and in regions like Africa, 42% of women use the internet compared to 52% of men (ITU 2023). Women also experience

more difficulties in accessing education (including digital literacy) and finance (including entrepreneurship, innovation and digital finance) while facing numerous other labour and social discriminations, making the need to address the digital gender gap a priority for an inclusive digital transformation (Khera et al. 2022, OECD 2018, UNDP 2021, UN-Women 2024).

However, while a number of large connectivity projects are planned as part of the Global Gateway flagships (EC 2023a), at present the portfolios of EU member states contain very few connectivity projects. Other than financing by the European Investment Bank (EIB) to a few major connectivity projects, this segment is neglected by most European PDBs and DFIs. In many cases, this is unsurprising, as many EU member states have not prioritised digital transformation as one of their key areas of international cooperation. Yet, in other cases, this is surprising given the importance of digital transformation to the domestic economy and/or the strength of domestic digital actors.

The European Commission and a growing number of European governments are beginning to shift their approach to international cooperation, with the aim of integrating it better with their national interests and expanding collaboration with the private sector (Sherriff and Veron 2024, Veron and Sherriff 2024). In many cases, these new strategies focus on a smaller number of sectors and zero in on opportunities to go from pilot to scale. As this approach to international cooperation evolves, the approach to digital transformation may evolve, but at present few countries really prioritise digital transformation programs and connectivity investments.

Meanwhile, many EU member states have expertise and experience in supporting other dimensions of digital transformation, including innovation (e.g. Germany, France, Netherlands, Finland, Estonia, and others), e-governance (e.g. Estonia), digital skills (e.g. Belgium, Germany, France, Finland), cybersecurity (e.g. Luxembourg, Netherlands), ICT regulation (e.g. Sweden, Luxembourg), the development of methodology for digital transformation (e.g. Germany, Sweden) and AI (e.g. Slovenia, France, Germany). The D4D Hub plays a crucial role in integrating these strengths into various Team Europe Initiatives.

However, it is worth noting that many of these Team Europe Initiatives are regional in nature, focusing, for instance, on all of Africa or on Latin America and the Caribbean (LAC), with some positioned even at a global level. By projecting Europe's digital expertise at a regional level, it is inherently more difficult to translate this holistic approach down to a country level, integrating infrastructure investments and wider support to digital public infrastructure, governance and the digital economy in a coherent manner that supports the local digital ecosystem in a meaningful manner. This underscores the need to further develop an integrated design and implementation approach with a select group of partner countries and sub-regions that brings together connectivity, regulation and wider support for the digital economy.

3. Difficulties in financing digital transformation

Under the current model, the European Fund for Sustainable Development Plus (EFSD+) offers guarantees for sovereign (public sector and non-commercial sub-sovereign) operations by the EIB, which allows EIB Global, the external arm of the EIB, to support infrastructure investments, including in the digital sector. The EFSD+ also provides guarantees for non-sovereign (private sector) operations through a thematic window on connectivity, covering digital infrastructure (as well as energy and transport), which DFIs and PDBs can access and qualify for by submitting individual funding proposals. Informal feedback suggests that this bottom-up approach tends to suffer from insufficient strategic coherence and high transaction costs, including lengthy due diligence reviews and guarantee negotiations – all of which may explain why only two proposed investment programmes (PIPs) focused on private sector investments in digital transformation were submitted in 2022. The Africa Connected Program (€100 million), was finally signed between EU and Finnfund during the Global Gateway Forum in October 2023, with the aim of mobilising more than €1 billion in sustainable investments for digital infrastructure and digital service in Sub-Saharan Africa.

It is unclear whether this approach is well-suited to serve Europe's digital diplomacy agenda, improve the coordination of digital programmes proposed by DFIs, PDBs, and development agencies in support of EU priorities, and can be scaled to reach critical mass in countries of geostrategic interest to the EU. The overriding consideration should be geared towards first setting clear strategic priorities and country parameters *before* using financing instruments, such as EFSD+ guarantees, to de-risk digital infrastructure projects proposed by DFIs, PDBs and commercial entities that meet these eligibility criteria. The current emphasis on financing mechanisms appears to reverse this sequence and may lead to a fragmented digital portfolio that may or may not represent the optimal mix of investment choices.

The European Commission is considering the feasibility of setting up an infrastructure equity fund, the Digital Leap Fund (DLF), to mobilise DFIs and private investors more effectively. This may help address the perceived slow and cumbersome implementation of the EFSD+ and emphasise the focus on digital infrastructure. The DLF would work in cohesion with the EFSD+, addressing a recurring lack of equity in digital infrastructure projects. The DLF or another similar fund would thus aim to unlock not only initial private investments but also loans currently unavailable due to lack of equity. Such a fund could contribute to stimulating the origination and sharing of pipelines of bankable projects by investors and providing a more flexible and agile mechanism for investments along the digital infrastructure value chain with appropriate guarantees and blended finance. The Leap Fund may run a similar risk to the EFSD+ of an overly fragmented digital portfolio unless the choice of investment classes and financing modalities is set after having first reached an agreement on how to direct efforts towards a subset of target countries, guided by a clear EU strategic policy guidance. Some member states also pointed out that their institutions simply could not do equity investments in their current format, and therefore, they would not be able to engage.

To mobilise the European private sector on digital supply chains, it is important to not only rely on development finance instruments but also include other trade and investment promotion tools such as European export credit agencies (ECAs). The new European Commission Expert Group on Enhanced Coordination of External Financial Tools (to which ECDPM contributes) has been set up, bringing together ECAs and DFIs with EU Member States representatives, to explore how to better associate European investment promotion and export credit agencies with GG endeavours. This is vital to better integrate European economic interests alongside sustainable development as part of GG. Concretely, an initiative such as the DLF would benefit from possibly integrating (in the equity fund) – or at least cooperating with – ECAs, which could help cover some of the risks (e.g. political commercial, foreign exchange risks) of private sector engagement in digital projects in developing countries.

To promote a more integrated and coherent approach to digital transformation, we propose developing further the idea of the “digital economy packages” in a few key partner countries, linking digital infrastructure investment to the development of more comprehensive digital ecosystems. Such an approach is beginning to emerge with the development of informal D4D Hubs in a number of countries/regions, mainly in Africa, and could be scaled up by the development of country-led or regional digital investment platforms. This, in turn, would offer an opportunity to build cohesive coalitions among core Team Europe actors (“variable geometry”) and work closely with local stakeholders to develop comprehensive programmes covering last-mile connectivity, governance, innovation, services and skills development based on an inclusive and gender-sensitive approach.

4. Building effective digital economy partnerships

During the current early phase, the digital Global Gateway would benefit from targeting a few countries or regions, and further developing its approach to financing in those geographies. Such an approach is beginning to emerge with the launch of an initial group of informal D4D Hubs in key partner countries but can be further developed. This more targeted approach would give Team Europe the opportunity to build interest and momentum for co-designing digital economy programmes at country level and in selected regions by engaging public and private sector stakeholders in a dialogue to advance shared digital priorities and incorporate complementary digital initiatives by EU partners. Such an approach should align closely with the digital strategies of partner countries and engage with the whole ecosystem. Further, if these packages aim to truly contribute to the EU’s strategic interests by deepening partnerships with these countries, then the EU should aim to accompany the packages with meaningful digital dialogues.

The private sector (international, European, and local) is a vital contributor to digital infrastructure investments and the development of an inclusive digital ecosystem at regional, national, and local levels. To the extent that the focus of digital investments under the Global Gateway is hard digital infrastructure (e.g., subsea cables, towers, data centres), there is strong merit in considering how best to ensure the wider participation by other European and local

partners, including European SMEs, along the digital infrastructure supply chain. Indeed, this was pointed out in a recent non-paper prepared by Finland and Estonia that called for Global Gateway projects to better integrate SMEs. As already mentioned, the EU and Member States have a clear strategic interest in investing in hard digital infrastructure and there is a real need to scale up investments in infrastructure. Yet, at the same time, a growing number of European countries are beginning to refocus their development strategies in areas where their own private sector can add value, so a holistic approach to GG that highlights a strong role for SMEs may increase member states' buy-in. Likewise, as most partner countries lack the industrial base and expertise to design and manufacture hard infrastructure equipment, Team Europe can support the digital ecosystem in partner countries by scaling up a broad-based engagement approach.

Such comprehensive digital transformation ambitions have already been initiated as part of the Global Gateway. This is the case, for instance, for the EU - Latin America and Caribbean Digital Alliance, launched in 2023, which aims to address "digital transformation and innovation based on a shared commitment to a human-centric vision of the digital economy and society" (EC n.d.). While it entails hard infrastructure connectivity components (notably with the high-speed submarine fibre-optic cable [EllaLink](#)), it also seeks to foster research and education for innovation in digital products and services (notably as part of the [BELLA programme](#)), address digital policy, governance and regulatory issues (notably through structured multi-stakeholder dialogues on regulatory convergence), connects EU and LAC digital-related businesses (from corporates to start-ups, with the establishment of the [EU-LAC Digital Accelerator](#)), and support spatial data management capacity and strategic use (under the Copernicus Earth Observation programme and potentially cooperation under the EU's Galileo satellite navigation programme) (EC 2023b). The Alliance builds on a Team Europe approach involving the European Commission, the EIB and the European Bank for Reconstruction and Development (EBRD), nine EU member states, some of their development agencies, as well as the UN Economic Commission for LAC (ECLAC) and other institutions. Yet, for the EU-LAC ambitions to materialise in an effective manner, it will require that their Digital Alliance does not become the packaging of disparate digital projects covering various digital issues and countries but develops into the implementation of coherent and complementary initiatives with a regional and country focus. It will also need to mobilise other regional MDBs and national PDBs, as well as financiers.

The next step in such an approach would be to develop a country-led and/or regional digital investment platform together with partner countries and like-minded international partners, including other multilateral development banks (MDBs). This could also facilitate the mobilisation of private sector engagement when needed. European investment promotion and export credit agencies could also usefully accompany the European digital private sector engagement in the development of local partner digital infrastructure value chains and ecosystems. Effective implementation of this approach would depend on strong leadership from selected partner countries, the development of strong alliances, a strategic engagement by Team Europe based on a core group of sponsors, and a menu of financial instruments, including grants, guarantees and risk-sharing mechanisms, to attract private sector and

institutional finance. Most importantly, it would require public and private digital actors to develop and share pipelines of potential investment projects. Digital investment platforms and packages can serve as catalysts for digital initiatives that would otherwise not materialise. They can facilitate co-financing or simply serve as coordination mechanisms for investors, short of joint financing, stimulating the complementarity of digital initiatives towards more comprehensive digital development packages, and facilitating the coordination of different actors, engagements and support measures. A geographic focus would allow the concerted concentration of efforts.

While blended finance and guarantees may help stimulate public and private investments, including but not only in infrastructure, it should also be complemented by other instruments. The origination of bankable projects may require technical assistance and the combination of development financiers, donors and their implementing agencies' efforts, together with the private sector, whose initiatives and innovative drive should be fostered. Similarly, digital governance, skills development and social and gender inclusion can usefully benefit from donor support based on domestic initiatives. Ensuring local ownership requires a whole-of-government approach by local authorities and donor countries, including on the side of the EU, its member states, their respective institutions (including DFIs, PDBs, development agencies, investment promotion and export credit agencies), and the private sector and civil society actors.

4.1. Focus on key partner countries

Informal country D4D Hubs are being developed in a number of countries, including Kenya, Nigeria, Tanzania, Brazil and Colombia, bringing together the expertise available within the EU Delegations, together with the expertise of EU member state officials and development agencies, notably GIZ, Expertise France, Enabel and others. A further selection of key partner countries might be selected for digital economy partnerships across a number of other geographies. Ultimately, these countries should demonstrate an advanced stage of readiness for digital transformation, the maturity of their digital ecosystems, adequate digital capabilities in the public and private sectors, a robust capital market, and an openness towards digital collaboration with EU institutions, companies, and investors. These countries should also be able to serve as regional leaders for digital transformation, including having the ability to generate and share valuable implementation experience and learning with other countries to follow suit. The EU might also consider countries such as the Philippines and Indonesia, as well as subregions, including Central America or Central Asia.

Box 1: Philippines digital transformation plan

By way of illustration, according to the Philippines' Secretary of Finance Benjamin Djokno, the government's \$1.7 billion digital infrastructure plan seeks to address the digital divide through higher public spending, open key sectors to foreign investments, and mobilise private capital and expertise through public-private partnerships. The plan centres on five major projects: (i) the National Broadband Program; (ii) the National Government Data Center; (iii) the Philippine Identification Center; (iv) the Digital Transformation Centers (upgraded Tech4Ed Project); and (v) the Road Transport Information Technology Infrastructure Project (Phase II). Expected results include a closer connection between urban and rural markets, an expansion of supply chains, the streamlining of public-private transactions, and the upgrading of the educational system.¹

Backed by a Development Policy Loan, the World Bank is pushing an important regulatory reform package to promote competition in the country's broadband industry, encourage investment, and upgrade broadband infrastructure, especially in the countryside (WB 2024a). In parallel, the Asian Development Bank signed a PHP 2.4 billion (US\$ 42.8 million) private sector loan agreement with iSON Tower Limited in March 2024 to support a nationwide mobile network and data connectivity that will support the development, construction, and operation of up to 800 telecommunication towers. A local commercial bank, the Security Bank Corporation, will provide an equivalent amount as a parallel loan to the project. These towers will serve as co-location sites for multiple mobile network operations, facilitating efficient infrastructure sharing and improving the country's network coverage and telecom capacity.

Currently, the EU is supporting the Philippines through [a digital economy package](#) amounting to €20 million (EU 2024). This includes the [Digital Transformation and Connectivity Initiative in the Philippines](#), including the launch of the first Copernicus earth observation centre in South-East Asia (€ 10 million), complemented by support to provide secure and reliable internal and external connectivity to the country. The objective is to foster data access, storing, processing and exchange (through satellite data) - notably to tackle climate risks and management, develop high-speed broadband, mobile connectivity and fibre submarine cables, and mobilise the data economy market.

The case of the Philippines illustrates how a well-coordinated digital infrastructure program can be closely aligned with the government's digital development plan (see Box 1). It overcomes the limitations of pursuing stand-alone digital projects that rely on hard-to-scale project finance structures, are supported by a single development financier or commercial entities, and may operate without a strong partnership with the local innovation and entrepreneurship ecosystem. If the EU wants to maximise its leverage, be really impactful and also gain recognition for its efforts, it needs to ground its digital infrastructure initiatives in a holistic digital package supported by several financial institutions and donor interventions, including beyond the EU when relevant, and connected with the in-country transformation system. The World Bank, like-minded MDBs, national PDBs and initiatives such as the G7 Partnership for Global Infrastructure and Investment (PGII) could help foster a collective

¹ Comments made during the Global Gateway Forum in Brussels, October 2023.

comprehensive approach to digital transformation. Country-level and regional digital investment platforms will be essential to this.

By replacing the finance-led/single sponsor model of digital infrastructure projects with a strategic consortium/alliance of stakeholders that are united in backing a comprehensive multi-year digital transformation agenda in the partner country, this approach also opens up space for individual projects that cohere with the agenda's overall direction and create opportunities for private sector innovation, both domestic and foreign. It would be important to prepare high-level summaries of digital infrastructure strategies and investments for a number of key partner countries and well-defined sub-regions.

4.2. Alliance building

While the Just Energy Transition Partnerships (JETPs) are not necessarily a perfect model for digital transformation, proving to be very broad and not always concrete enough, they did integrate a novel approach to alliance-building that is worth drawing on. The JETPs aim to intensify ongoing climate change actions, combining country-led strategies to decarbonise the energy sector and addressing development priorities resulting from the ensuing structural transformation with focused long-term, and plurilateral partnerships. The partnerships are based on national plans developed by the beneficiary countries that set the priorities, while G7 members and multilateral development banks have put together initial packages to support the JETPs. These include US\$8.5 billion for South Africa announced in 2021 (backed by France, Germany, the UK, the US, and the EU) and a US\$20 billion package for Indonesia announced in 2022 to provide political support and donor and private sector financing for this effort.² The effectiveness of JETPs depends on consistent and coherent policies across all sectors and levels of government and a long-term political commitment to the reform agenda (Hege et al. 2022, Seiler et al. 2023, Vanheukelom 2023). International capital should be complemented by beneficiary countries' own efforts to mobilise private capital. International partner groups' support must be combined with technology transfer and coherent efforts to develop local value chains to ensure a long-term, sustainable just transition.

The concept of 'just transition' entails a holistic approach to ensure that the transition to a more sustainable economy is fair and equitable for all. While there are significant differences between the energy and digital sectors, there are also similarities. To bring about far-reaching transformation processes in the real economy, with corresponding profound social and political impacts, new broad-based coalitions are required. These coalitions are built on the assumption that fundamental transition processes will create winners and losers and, therefore, will require difficult trade-offs and new solutions that cannot be tackled solely by relying on traditional means of conflict resolution or 'horse trading.'

² Other JETPs under active preparation include Vietnam, India, and Senegal.

Figure 1: Collaboration in JETPs



Box 2: Which factors determine the success of alliances?

Alliance-building has proved to be an important factor in achieving progress. Research shows that coalitions differ regarding hard and soft factors. Important hard factors for success are, among others, shared goals aligned with the core interests of the coalition members, the conviction by the partners that their aims can be better achieved through an alliance, political relevance, good coordination, narratives with strong political and media resonance, a good balance between exclusivity and openness to third parties, and impact orientation (i.e., flexibility and the ability to change). Key soft factors are integrity, an anticipatory assessment of one's coalition partners, and a positive image as a key driver of progress.

Managing these transformative processes is a *multi-level governance challenge, requiring integration across multiple agencies and policy areas*. Stakeholders affected by the transition include workers, communities, landowners, civil society and environmental groups, human rights defenders, investors, and governments at national and local levels, amongst many others. Developing an integrated approach that addresses the different dimensions of digital transformation, such as infrastructure expansion, citizen- and business-facing services, adoption of industry 4.0 technologies, and digital skill development, would require effective coordination, accountability, and verification mechanisms to determine how different groups are benefiting. Programs need to reach beyond urban areas to ensure that the digital divide is not further accentuated and that rural communities and digitally excluded groups gain the required digital skills and have access to affordable digital services and financial inclusion initiatives.

To build a new shared understanding of ‘what needs to be done’, a step-by-step approach is required to break up silos and build ‘transformative alliances.’ This requires a proper understanding of vested interests and the societal, political, and institutional dynamics that are shaping opportunities and constraints to any systemic transformation. It will be vital to rely on quality technical advice to understand underlying political economy dynamics and to help design policies and projects that respond to local needs, given the, at times, limited administrative and technical capacity of local authorities in the regions most impacted by the transition.

4.3. Country-led and regional digital investment platforms

While the EU is beginning to build out a more targeted approach with informal D4D Hubs in a number of countries with a view to developing a more comprehensive approach to digital economy partnerships with key countries, there is still a need to scale up the focus on financing digital transformation and mobilising private sector investors to invest in reducing the digital divide. Country-led or regional digital investment platforms, supported by the EU alone or with others, could play a role in filling this gap. Locally owned sectoral country platforms – pioneered in the green energy sector – have proved to be an attractive approach to bring a range of public and private actors together to finance sectoral transformation in an inclusive manner in line with the Global Collaborative Co-Financing Platform recently launched by ten multilateral development banks, including EIB and EBRD (EBRD 2022, Hadley et al. 2022, MDBs 2023, MDBs 2024, *WB 2024b*).

To engage with key partner countries, the EU will need to continue to strengthen its in-country expertise within delegations so as to have credible experts to coordinate the process. It is vital that Delegations in focus partner countries have one or more dedicated experts to lead the coordination among Team Europe members, develop networks and know-how regarding the partner country’s digital ecosystem, and particularly to get to know the opportunities and challenges for private sector engagement. They should have a clear mandate that allows them to be wholly focused on developing meaningful digital economy partnerships; their appointment should be for a sufficiently long period to be able to really develop a strong understanding of the ecosystem, and its underlying political economy dynamics and provide credible implementation follow-through and monitoring of the digital economy partnership. In several countries, digital focal points have already been appointed within EU Delegations, and are working with EU member state implementing agencies, including GIZ, Expertise France and Enabel, to create informal D4D Hubs in a number of partner countries. With time, they might also be joined by more dedicated in-country experts within the EUD and from member states, development banks and the private sector to constitute an effective digital Team Europe on the ground.

At partner country level:

As already highlighted, digital economy partnerships should be based on the digital strategies of the selected partner countries and must build on a solid understanding of the political economy of the digital ecosystem in those countries. The in-country EU digital coordinators should work with local and international public and private stakeholders to develop a digital transformation situation analysis, gathering together important insights into the strengths, gaps, and opportunities for digital transformation, helping assess core components of the technology and data infrastructure, and building a shared understanding of the country's strategy, regulatory and governance systems, operating environment, and skill capabilities. Further studies could be commissioned to complement this analysis, particularly with a view to better understanding how Team Europe might better support an enabling regulatory environment.

It is essential to open the space for co-designing digital initiatives with beneficiaries at the country level. This could involve bottom-up suggestions by local communities, whole-of-government capacity building for digital public infrastructure and e-services, as well as digital financial inclusion and literacy campaigns to accompany last-mile connectivity projects. Local partners could contribute to Global Gateway projects by identifying priority needs, working through implementation barriers, and building shared ownership around solutions with key government agencies, the private sector, and development partners on the ground.

At the European level:

Where this has not already been done, EU digital coordinators should call on Team Europe, including European DFIs, PDBs, MDBs, development agencies, and interested companies, to compile an inventory of major digital initiatives underway in the selected partner countries, and sketch out a set of potential high-impact projects to advance the digital agenda in these countries. Each EU member state could be canvassed on their support for digital ecosystems and transformation programs, engagement with key government agencies, and collaboration with local authorities. Engagement with the D4D Hub business advisory group would build an in-depth profile about country exposure, implementation experience, and strategic investment priorities. This helps combine forces and provides a credible example of how cooperation can work in practice. All of this could feed into the digital transformation situation analysis. The EU would also need to consider the merits of coordinating this analysis and the wider digital partnerships with like-minded partners and other MDBs.

This should be followed by a systematic dialogue process to solicit interest and capabilities to join forces (“coalition of the willing”) in the process of identifying a core group of European agencies, investors, and companies for each of the key partner countries, which would serve as the nucleus/backbone for coordination at both European and in-country levels. A shared digital investment platform, facilitated by a rotating sponsor agency, would ensure transparency and accountability about work programmes and resource commitments and create a shared knowledge base (e.g., on analytical studies and due diligence assessments). The D4DHub could play such a role. The last point reflects informal feedback from DFIs, private

equipment providers, and potential investors who are advocating for a streamlined project preparation and approval process.³

To enable this process and lower transaction costs, it would be vital to streamline upstream requirements for information sharing, project preparation facilities, pre-qualification of trusted vendors, etc. Coalition members would have to agree on information protocols, confidentiality rules, and a shared platform for project documents, due diligence reviews, country-based risk information, etc.

Local and European private sector:

The private sector, both local and foreign, could play an expanded role in identifying and co-designing digital projects. This could include supporting preparation of feasibility studies, ideally in coordination with, and if necessary, with support from the EU Delegations, EU Member States' diplomatic and commercial representations and local representatives of their financial institutions, development agencies and bilateral investment promotion programmes. Where large European companies enjoy long-standing in-country presence, their familiarity with the local ecosystem will be a major factor in successful project implementation under often challenging country conditions. USAID's Private Collaboration Pathway Program may offer a promising template for involving private companies from the onset.

Building digital investment platforms:

As mentioned previously, country or regional-led digital investment platforms could play an important role in filling the information and funding gap. These would be developed in coordination with local authorities and would provide an important tool to bring public and private actors together to finance digital transformation in an inclusive manner. Examples already exist in the green energy sector, including the In-Country Platform to Accelerate a Just Energy Transition in North Macedonia (EBRD 2023) and the Egypt's Country Platform for the Nexus of Water, Food and Energy (NWFE) ([Egyptian Ministry of International Cooperation n.d.](#)), as well as the [Collaborative Co-Financing Portal for the Public Sector](#). The EU could build on EIB/EBRD endeavours, together with European Development Finance Institutions (EDFI) and Joint European Financiers for International Cooperation (JEFIC), connected to donors and the Practitioners Network (i.e. grants and technical assistance), to develop similar digital country-led or regional digital investment platforms. When relevant, it could also build on the efforts of other MDBs, as mentioned above with regard to the Philippines.

A shared platform should facilitate the following and more:

- the translation of local digital priorities into concrete digital transformation projects and actions by domestic, European, and other international actors, including the development of a pipeline of digital transformation projects, technical support measures, and policy reforms relevant to the development of an inclusive quality digital value chain,

³ Benchmarked against standard market practices, the approval timeline for financing of digital infrastructure projects could conceivably be reduced to 6-9 months.

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- public-private dialogue and cooperation,
 - complementary investment and, when relevant, co-investment among DFIs and private investors,
 - the provision of risk-mitigation mechanisms,
 - complementary actions by financial and technical development institutions,
 - coordination of digital-related policy and investment decisions,
 - multi-stakeholder dialogues and cooperation, and
 - the adoption of common key standards, norms, values, and sustainable and green development principles, including fostering gender and socially inclusive approaches to digital transformation.

4.4. Combining streams of finance and other support

The development of a **multi-year financing and support strategy** requires a granular understanding of the range of needs, local dynamics and potential resources that can be mobilised. Such assessment can then serve to shape an overall investment portfolio and its evolution over time, with the identification of the respective roles and contributions by governments, the private sector, and development partners, as well as the operational modalities and regulatory requirements that apply to the various stakeholders.

The resulting investment program would blend finance with different costs and maturities, including grants and concessional finance, to match the financial returns and risks from investments. Rather than simply focusing on the aggregate number, the different financing strands would ideally act in concert as a complementary package.

Private investments should be facilitated and promoted through combined investments and public-private partnerships when relevant to public finance. Technical assistance and risk-mitigation mechanisms play a key role in facilitating the mobilisation of private investors and companies.

Mechanisms to mobilise digital investments should be adapted to the type and size of investments sought. To mobilise private finance at scale, aggregation and portfolio approaches should be sought, bundling digital projects into larger packages to attract institutional investors, including pension funds (see Box 3). Mobilising private reinsurance companies may also add to the range of risk-mitigation actors in the digital sector.

Box 3: Examples of international private sector-led initiatives to mobilise capital at scale

Several private sector-led initiatives have launched new partnership arrangements to mobilise institutional capital at scale and pioneered standardised approaches to reduce transaction costs:

- The Glasgow Financial Alliance for Net-Zero ([GFANZ](#)) provides an overarching private sector commitment and action framework. GFANZ members seek investment opportunities and assets aligned with the transition by supporting country-led platforms and JETPs.
- Parallel efforts are underway to mobilise private capital through the Climate Finance Leadership Initiative ([CFLI](#)), the Global Investors for Sustainable Development ([GISD](#)) Alliance, the Sustainable Markets Initiative ([SMI](#)), and the Climate Policy Initiative's Finance to Accelerate the Sustainability Transition in Infrastructure ([FAST-infra](#)).
- The [ILX Fund](#) is a private credit fund investing in loan participations originated by PDBs in emerging markets, allowing European (so far mainly Dutch, but soon also Nordic) pension funds to invest in private-sector loans by PDBs, such as ADB, AfDB, EBRD, IDB-Invest, IFC and FMO.
- Other promising innovations include IFC's Managed Co-Lending Portfolio Program ([MCP](#)), which, in conjunction with SIDA guarantees, mobilises new sources of capital for sustainable infrastructure, the Amundi Green bond fund, and the Climate Fund Manager's (CFM) structured funds, which blend public and private sector funding and guarantees and scale quickly by mobilising institutional capital. [Africa50](#) is driving innovative cooperation between the private sector, governments, IFIs, and DFIs to execute large projects.

Additional attention should be given to supporting digital governance and related ecosystems, appropriate skills development, and concrete measures for social inclusion, particularly for women and girls. This requires close coordination among public and private actors at the international and local levels, which donors can usefully promote.

The Team Europe approach for digital Global Gateway can help mobilise the range of actors and tools in the EU, as articulated in the European Financial Architecture for Development and the EFSD+ (Karaki and Bilal 2023), and beyond the EU, harnessing multilateral, linked-minded bilateral and local partners and their instruments (see Box 3). Efforts by the Global Gateway to engage with private sector investors on specific investment opportunities in priority countries/regions will be crucial for establishing the much-needed interaction between investors and investment opportunities. The Business Advisory Group (BAG)'s dedicated group on digital transformation, together with other relevant European private interests, can help identify priority geographic areas for investments and target specific segments along the digital value chain for each priority country/region.

Such strategic prioritisation as part of these digital economy partnerships can then help harness the untapped potential of European PDBs and DFIs, as well as relevant investment promotion and export credit agencies. European PDBs and DFIs, and notably the EIB and EBRD, can then engage with and support local development and commercial banks, which are

ideally placed to catalyse local lending, consider longer tenors, tap into domestic resources and private savings, and stimulate local capital markets.

By expanding and aggregating prospective investment opportunities across the digital value chain from end-to-end, PDBs and DFIs can identify new entry points to step up their support for the twin transitions (digital and climate) in accordance with their strategic priorities and capabilities.

The complexities and high transaction costs of moving at the speed and scale required for crowding in mainstream investment capital require targeted action to reduce the cost of capital and tackle real and perceived geographical-, technology- and project-specific risks. To design targeted solutions to these challenges, it is important to disaggregate the risks faced by private sector actors (developers, operators, investors) along the project lifecycle (see Box 4).

Box 4: Assessing and managing risks and reducing the cost of capital for digital transformation

There are a range of risks which affect the costs of capital and that need to be addressed:

- *Political risks and weaknesses in the investment climate.* Policy uncertainty for investors translates into offtake and creditworthiness risk for key players (e.g., digital operators). Uncertainty around political stability, sustainability policy, and the regulatory framework for digital transformation can exacerbate such risks. For digital investments, the strength of the local ecosystems, the ability to attract DFIs/PDBs, access to finance, competition rules, licensing requirements, consumer protection, etc. are key concerns.
- *Exchange rate risk.* Infrastructure projects are typically characterised by a currency mismatch between cost (in hard currency) and revenues (in local currency), often exacerbated because of high sovereign risk premia in emerging markets.
- *Asymmetric information about emerging markets.* Lack of familiarity of global private sector financiers and investors with emerging markets leads to an inability to estimate risk, or, more typically, an over-estimation of perceived risk across the project cycle.
- *Pipeline.* The absence of a significant high-quality pipeline of investable projects in a country makes it difficult for a global private sector player to make a comprehensive, long-term commitment in a market.
- *Scale.* A weak pipeline often implies that the scale of investable projects is insufficient for a private sector player to take an initial commitment as this comes with significant upfront costs, which may not be recouped if the pipeline does not materialise.
- *Lack of data.* Investors need data to assess risk. Lack of standardised taxonomies and accessible data often prevents investors from being able to progress.
- *Mobilisation.* Incentive programs offered by development finance institutions can create a risk of 'crowding out' private capital instead of driving co-investment and mobilising additional private capital by de-risking projects.

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- *Lack of risk mitigation instruments.* When facing unmanageable risks, investors need to be able to access fit-for-purpose, simple risk mitigation instruments. Fragmentation and lack of suitable instruments will prevent investors from investing without further enhancements. This, in turn, can generate risks for the global financial system and recipient countries alike. Programs that rely on the use of public funds must avoid creating moral hazard situations resulting from the inappropriate application of credit enhancements, guarantees, and de-risking mechanisms, which may add to balance of payment vulnerabilities and capital outflows due to the greater exposure of emerging markets to international finance.
 - *Lack of digital value chain development.* When investing in digital infrastructure, the returns depend notably on the use of the infrastructure, which also includes a number of soft dimensions, such as the openness and development of the digital market, the regulatory and competition settings, the number of users/consumers, and their ability to pay and own capacity to access digital services. Managing the risks associated with a fragmented development of the digital sector is also crucial to stimulate private investment. Engaging private operators in last mile connectivity programs in markets and geographies that lack sufficient revenue potential will not be sustainable without upfront agreement on service obligations and compensatory subsidy payments.

5. Conclusion and recommendations

Global Gateway lays out ambitious expectations, combining development goals and geostrategic ambitions, but very much risks falling short with regard to digital transformation. So far, digital investment appears to be the neglected child of the EU connectivity agenda, accounting for less than 13% of the 225 Global Gateway's flagship projects, while around half of the flagships focus on climate & energy. The current approach is failing to fully engage EU member states and their financial and development institutions, which do not necessarily have a comparative advantage on digital infrastructure.

For the EU to become both more impactful and more strategic, it could usefully focus its efforts on a few geographically concentrated regional and national Team Europe Initiatives by using digital economy partnerships that combine hard and soft infrastructure with support to the wider digital economy and sustainable development. This requires considering the digital ecosystem as a whole, including infrastructure, digital services, governance, skills development, social and inclusive dimensions, including notably to effectively address the digital gender gap. Building primarily on local dynamics towards digital transformations and on wider interests and engagement of private-sector and social actors, the partner country and the EU should each adopt a whole-of-government approach. They should also jointly seek to complement and harness international and like-minded partners, including MDBs and G7 countries (e.g. along the G7 PGII), to their digital transformation efforts, potentially through joint support to digital investment platforms. Team Europe provides an excellent framework for such an approach, as illustrated by examples such as the EU - Latin America and Caribbean Digital Alliance and by the Digital Transformation and Connectivity Initiative in the Philippines as part of the Sustainable Connectivity Regional Team Europe Initiative (see Box 1).

The key to the successful development of digital economy partnerships includes developing real in-country coordination by Team Europe, supported by digital investment platforms that can really help to coordinate between public and private actors and to mobilise resources at scale. The following are some aspects of the approach laid out in this paper:

- Strong ownership and prioritisation of the digital transformation by local authorities and actors.
- A clear articulation of the EU's geostrategic, political, economic and security interests and development priorities and objectives for engaging in a specific digital economy partnership, including the identification of like-minded allies and systemic rivals.
- A comprehensive approach and whole-of-the-EU approach by the European Commission and other EU institutions - including regulatory and financial institutions (notably the EIB), several EU member states and their development & technical agencies, PDBs & DFIs, and investment promotion & export credit agencies, avoiding fragmented approaches.
- An active mobilisation of public and private actors and finance at the local, EU and international levels, fostering cooperation and synergies.
- A flexible and pragmatic step-by-step approach to implementation of the digital agenda.
- Close cooperation and synergy with international partners, (regional) MDBs and relevant UN agencies, based on an open and inclusive Team Europe approach.
- Wide communication of the EU endeavours and concrete implementation, to consolidate its reputation as a reliable and value-based digital partner.

In practice, developing a solution architecture for digital transformation requires building on a variety of potential solutions offered by public, private, and philanthropic institutions to ramp up investment and financing organisations that could be applicable to digital investment platforms. These include, among others:

1. Private sector proactivity in committing to investing in emerging markets

- Commit to increasing, over time, the amount of investment in priority countries and gradually absorbing more of the risk through private sector balance sheets.
- Increase actively on-the-ground presence in countries to access, standardise, and share data and information and reduce risk perceptions.
- Identify priority projects and connect with private investors.
- Connect international investors with local partners to identify investment opportunities and jointly mobilise finance.

2. Active participation to strengthen the investment climate

- Engage with governments on country-led digital investment platforms to identify priorities for investment climate and policy reforms.
- Participate in coalitions aimed at convening domestic and international financial institutions with private sector players to strengthen policy environments.

3. Pipeline development and sharing

- Intensify collaboration between the private sector, DFIs/PDBs, donors and their implementation agencies, and local actors on pipeline development, including joint project preparation leveraging the on-ground presence of DFIs/PDBs and local (e.g., financial and technical) stakeholders.
- Scale up project preparation facilities (e.g. EU technical assistance funds, Global Innovation Fund, innovative FMO's Market Creation Platform, etc.) to expand the pipeline of bankable sustainable infrastructure projects, utilising links with MDBs/RDBs and the private sector to develop stronger partnerships on project development. This scaleup should focus on streamlining engagement, building on the private sector-led pipelines and bringing the private sector earlier into the preparation of projects and the design of financing solutions.
- Investment in upstream pipeline development.
- Focus on the additional dimension of blended finance and avoid crowding out private finance. Many private sector actors have existing pipelines of projects that do not necessarily require blended finance.

4. Data standardisation and sharing

- Create shared, standardised datasets to minimise the cost of accessing information for project preparation and risk assessment across the project cycle.
- Share datasets that can help with risk assessment, such as the Global Emerging Markets Risk Database (GEMs) datasets – where members (mostly IFIs for the moment) contribute anonymised data on credit events and, in return, gain access to aggregate GEMs statistics on observed default rates (GEMs 2023, GEMs 2024).

5. Help design risk mitigation instruments and achieve scale

- Exchange rate risk. Donor-funded mechanisms to provide hedging instruments in geographical locations where they do not exist are a priority, as the private sector will not be able to invest otherwise. Organisations such as the EBRD and EIB are best placed to identify the right instruments, as well as domestic partners, to provide such solutions in a cost-effective manner.
- Policy risk. Liquidity mechanisms can be potentially effective, depending on the type of risk. Tackling specific risks with a more tailored approach (e.g., broadening up MIGA-type guarantee instruments) may also provide cost-effective solutions.
- Intermediation costs. Aggregating sufficiently large investment opportunities for institutional investors is an essential element of generating financial flows at scale. Reducing intermediation costs and some provision of first loss guarantees for risks that have not been managed upstream (at the project level) and, therefore, cascade into aggregate instruments will, in most instances, still be essential to reducing the cost of capital.

6. Improve financing structures and cooperation

- Blended finance can play a role in unlocking and financing climate & digital investments, given the risks and the long-term nature of returns.
- Potential solutions include building on successful models and initiatives; scaling up portfolio approaches; aiming for both impact and volume; strengthening governance to ensure value for money; and tackling the public-private culture gap.

7. Stronger partnerships on MDB optimisation

- MDBs incentives should be aimed at mobilising external finance effectively, as opposed to maximising their lending volumes. This will require changes in scorecards and mindsets, as well as alignment and drive from shareholders.
- MDBs can support the creation of and participate directly in third-party equity infrastructure funds in emerging markets and by donors, such as the DLF. They can also complement the efforts of such equity funds, providing origination support and risk mitigation instruments.

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