



**BRIEFING NOTE No. 136**

## **Working with the private sector for sustainable digital transformation**

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The private sector plays an important role in providing and using digital technologies such as e-health services or blockchain applications to enhance supply chain transparency, which can contribute to sustainable development. Development partners are therefore engaging with the private sector to support developing countries in their digital transformation processes. This briefing note looks at the Digital for Development (D4D) strategies of the European Union (EU), Germany, the Netherlands, Norway and the United Kingdom, and draws lessons for the design and implementation of private sector-related dimensions of such strategies.

Different D4D interventions require different levels of ‘digital readiness’. There are tradeoffs between prioritising countries with the greatest needs to help close digital divides and supporting more digitally developed countries. Considering and weighing these tradeoffs is important. Strategies should also take into account the pros and cons of working with and supporting different private sector actors. For instance, while start-ups can promote innovative digital solutions, working with them may pose greater risks than working with more established companies. Finally, D4D agendas need to be embedded throughout development partners’ governments, and communication and coordination between relevant actors, including the private sector, is vital.



## Acknowledgements

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## 1. Introduction

Digitalisation is changing the world. Across the globe, digital technologies are transforming the way products are produced, services are delivered and people interact. While the long-term impact of the COVID-19 crisis is uncertain, a clear effect is the acceleration of this digital transformation (Duta & Lanvin 2020).

The rise of digital technologies – such as the internet, artificial intelligence, big data and advanced robotics – can be an enabler for the achievement of the 2030 Sustainable Development Goals. It can create jobs, reduce the environmental footprint of production processes and facilitate access to quality public services. There is potential worldwide, independent of countries' gross domestic product (GDP) level, to harness the digital economy to 'build back better'.

Taking the example of the African continent, internet connectivity and mobile-cellular telephone use is on the rise. The digital transformation trend is particularly apparent in the field of digital financial services, as Africa has become the reference for the e-money revolution starting with M-Pesa in Kenya (European Commission 2019). Several African countries have developed and are implementing information and communication technology (ICT) policies (African Union 2020).

However, accelerating the digital economy also comes with challenges and risks. The average internet penetration rate in Africa is still below 30%, and the continent accounts for less than 5% of the global digital

economy (UNCTAD 2019a). Regardless of the rise in mobile phone usage in the last two decades, mobile internet access stood at just 24% in 2018.<sup>1</sup> Digital start-ups struggle to scale up, and traditional businesses are only slowly adopting digital technologies and platforms (European Commission 2019). These issues illustrate the 'digital divide', with the development of the digital economy in many African countries lagging greatly behind the rest of the world. Benefits of digitalisation are also unevenly distributed between communities within countries. For example, the gap between internet user penetration rates for men and women in least-developed countries has grown by almost 50% between 2013 and 2019 (ITU 2019). The digital divide between and within countries can exacerbate income inequalities (UNCTAD 2019a).

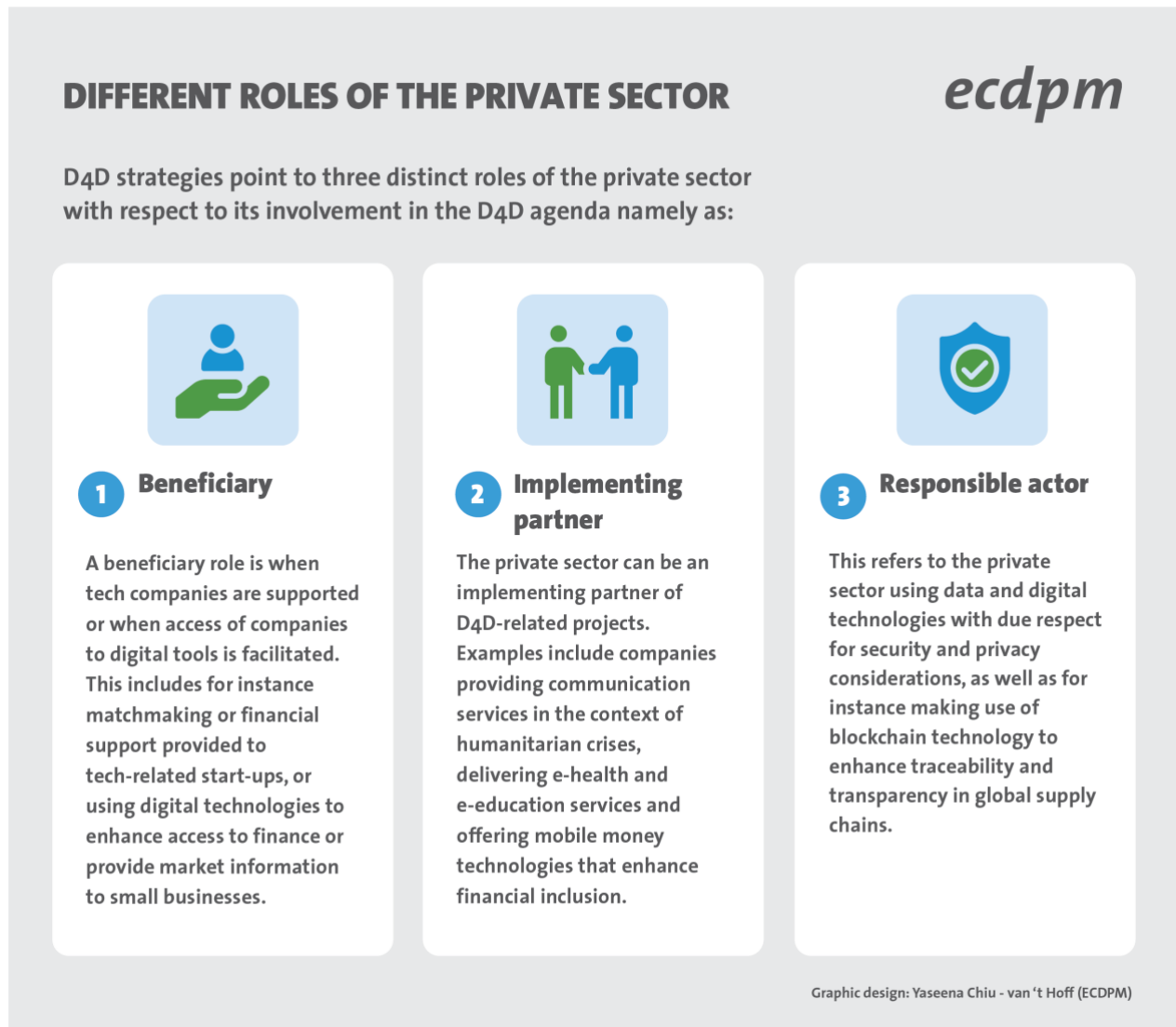
In this context, several development partners are placing increased emphasis on supporting developing countries in their digital transformation processes through development cooperation (European Commission 2020). As part of these efforts, development partners engage with and support the private sector. This briefing note aims to provide relevant insights for the elaboration and the implementation of private sector related dimensions of 'digital for development' (D4D) strategies of development partners. The authors have conducted this work initially to support the Ministry of Foreign and European Affairs of Luxembourg, which was in the process of developing a D4D strategy and a private sector development strategy. They produced a tailor-made longer report for the ministry, while this underlying briefing note presents a summary of the insights, which are relevant for a broader audience interested in learning lessons from a selection of D4D strategies of development partners.

The main source of information has been the analysis of a selection of publicly available D4D strategies that have been adopted by European countries in recent years. These are the strategies of the European Union (EU), adopted in 2017, Germany (2017), the Netherlands (2019), Norway (2018) and the United Kingdom (UK) (2018).<sup>2</sup> This has been complemented by nine semi-structured interviews, with in total 13 interviewees involved in D4D-related activities of Luxembourg. The full list of interviewees is presented in the annex. A draft version of the report has been presented and discussed in a webinar with stakeholders in Luxembourg, for additional input.

Section 2 of this note presents the different types of private sector engagement considered in the D4D strategies, followed by section 3 on thematic areas of focus. Section 4 presents key considerations of development partners to guide their geographic and thematic priorities. Section 5 discusses key elements necessary to implement the D4D agenda, followed by a concluding section.

## 2. Different roles of the private sector

When designing and implementing a D4D strategy, it is important to be aware of – and use as deemed fit – the diverse possible roles of the private sector. The infographic below outlines these different roles.



The analysed D4D strategies also make clear that the **local private sector in partner countries, as well as the development partners' own domestic private sector, and businesses in general, have a role to play.** For instance, the strategies show that small and medium-sized enterprises (SMEs), start-ups, small-scale farmers

in partner countries are provided support through digital services and also play a role in using digital technologies to advance local development. In addition, the private sector in Europe and beyond can contribute to D4D goals.

### 3. Mainstreaming and thematic areas: a bit of both

Across D4D strategies the **digital agenda is considered a cross-cutting theme** to be integrated in all development projects. The trend towards mainstreaming digitalisation instead of creating separate digital programmes is also observed in the United Nations

Conference on Trade and Development (UNCTAD) report on different donor approaches to D4D (UNCTAD 2019b). An example is provided in Box 1. One challenge that arises from mainstreaming digitalisation is the difficulty of calculating the amount of aid that actually flows into digital economies in developing countries.

#### Box 1: Mainstreaming the digital agenda: an example

Given the benefits of digital technologies in supporting agricultural transformation, it can be valuable to explore the potential of enhancing the use of digital technologies in existing agriculture support projects. The agricultural microfinance project by ADA (Appui au Développement Autonome)<sup>3</sup> can serve as an example, which provides training on agricultural finance to microfinance institutions (MFI) and tests financial products, designed for agricultural activities. This provides a platform to explore the possible use of digital financial services as well. This is already done by one MFI in Burkina Faso which migrated its system to a mobile solution for loan officers and Tontine collectors.<sup>4</sup>

While mainstreaming digitalisation is the dominant trend, certain areas are given greater priority in the D4D strategies. For instance, in the case of Norway the strategy commits to developing action plans for digitalisation in priority areas starting with health and education. Similarly, while Germany aims to use digital instruments to contribute to greater impact in all

themes and sectors of development cooperation, some areas, such as state and democracy, have received greater attention.

The table below highlights the different thematic areas identified in the D4D strategies.

**Table 1: Thematic areas focused on in D4D strategies**

Development partner	Thematic areas
European Commission  <a href="#"><i>Digital4Development: mainstreaming digital technologies and services into EU development policy</i> (2017)</a>	<ul style="list-style-type: none"> <li>- Access to open, affordable and secure broadband connectivity and digital infrastructure including the necessary regulatory framework</li> <li>- Digital literacy and digital skills</li> <li>- Digital for growth, entrepreneurship and job creation</li> <li>- Digital technologies as an enabler <ul style="list-style-type: none"> <li>- Digital 4 Gender Equality</li> <li>- Digital 4 Secure Identity for All</li> <li>- Digital 4 Capacity Building</li> <li>- Digital 4 Sustainable Agriculture</li> <li>- Digital 4 Education and Human Development</li> <li>- Digital 4 Health</li> </ul> </li> </ul>
Germany  <a href="#"><i>Digitalisierung für Entwicklung</i> (2019)</a>	<ul style="list-style-type: none"> <li>- Work</li> <li>- Local innovation</li> <li>- Equal opportunities</li> <li>- Good governance and human rights</li> <li>- Data for development</li> </ul>

Norway  <a href="#">Digitalisation for Development. Digital strategy for Norwegian development policy (2018)</a>	<ul style="list-style-type: none"> <li>- Health</li> <li>- Education</li> <li>- Climate, the environment and oceans</li> <li>- Business development, agricultural development and renewable energy</li> <li>- Humanitarian aid</li> </ul>
The Netherlands  <a href="#">Digital Agenda for Foreign Trade and Development Cooperation (2019)<sup>5</sup></a>	Digitalisation for development <ul style="list-style-type: none"> <li>- Education, entrepreneurship and work</li> <li>- Food, water, energy and climate change</li> <li>- Strengthening civil society</li> <li>- Humanitarian aid and stability</li> </ul> Support developing countries in digital economy and trade <ul style="list-style-type: none"> <li>- Access to financial services and products</li> <li>- Stronger trade logistics and supply chains</li> <li>- Boost supply chain sustainability and transparency</li> </ul> Digital security and freedom online <ul style="list-style-type: none"> <li>- Cyber security and capacity building in third countries</li> </ul>
United Kingdom  <a href="#">Digital Strategy 2018-2020: Doing Development in a digital World (2018)</a>	<ul style="list-style-type: none"> <li>- Economic growth</li> <li>- Financial inclusion</li> <li>- Utilities</li> <li>- Agriculture</li> <li>- Health,</li> <li>- Education</li> <li>- Governance and accountability</li> <li>- Humanitarian response</li> </ul>

In addition to directly supporting businesses, the D4D strategies have highlighted the need for supporting an enabling policy environment for the digital economy to flourish. For instance, the UK promotes mobile money technologies both by directly supporting businesses' use of such technologies, and also by helping to prevent red tape that prevents access to mobile money (DFID 2017). Similarly, the EU supports the creation of an enabling business environment, including by supporting appropriate regulatory frameworks in areas such as mobile communications (European Commission 2014). More broadly and importantly, the EU D4D strategy notes that **adequate regulatory frameworks for the digital economy itself are necessary for all actors to benefit from digital technologies and be protected against any risks** (European Commission 2017).

**Strengthening digital skills also cuts across the different themes and merits attention.** The importance of skills and capacity is emphasised in the African Union Digital Transformation strategy (African Union 2020), which states that the main precondition for Africa's digital transformation is investments in and

cultivation of highly skilled people, such as producers, consumers and innovators of digital technologies. This is reflected in several D4D strategies, for example the ones of the EU, Norway, Germany and the Netherlands recognise the need to build skills and literacy, especially of young entrepreneurs, to support them in entering the digital economy.

**Cyber security is not often listed as a separate thematic area, but is given attention in most strategies.** Indeed, **cybersecurity is key**, as is argued in the African Union Convention on cyber security and personal data protection (African Union 2014), which recognises that the current state of cybercrime constitutes a real threat to the security of computer networks and the development of the information society in Africa. Development partners' D4D strategies address the issue varyingly. While the issue is raised in most strategies, not all go in detail on how the risk can be mitigated through interventions of the donor country. In particular the German and the Dutch strategy propose actions to strengthen cybersecurity in partner countries. For Germany "data for development" is a key priority area, including a focus on data security and protection. Concretely it works

towards supporting appropriate legal frameworks that create data security for companies and people (BMZ 2019). This includes working with national regulators, such as central banks and finance ministries, to develop data protection standards in the financial sector. The Netherlands, which calls itself a pioneer in the international cyber domain, focuses on closing the digital divide between countries, including by building capacity in low-income countries within the cyber domain (Dutch Ministry of Foreign Affairs 2019).

## 4. Key considerations for geographic and thematic priorities

The criteria shown in the infographic below can serve as an inspiration for development partners in the process of developing or implementing a D4D strategy. First and foremost, D4D priorities are guided by the overall **development cooperation policy**.





Another important consideration in prioritizing areas of focus is the use of **domestic (donor country) D4D-related expertise and knowledge**, including of the domestic private sector. This is common across all D4D strategies reviewed for the paper. For instance, the Netherlands has important expertise – in businesses and knowledge institutions – in interpreting satellite data for climate resilience (Dutch Ministry of Foreign Affairs 2019). It also considers itself a “world leader in transport and logistics” and is committed to providing developing countries with support in this field. Norway talks about companies active in the health sector, which can contribute to the field (Norwegian Ministry of Foreign Affairs 2018). More generally, it considers the innovative ICT sector in Norway, as well as the internationally leading digital services developed by the public sector assets in its D4D strategy. For Germany data protection is a key area of focus, for which it will use its expertise as “world leader” to support developing countries (BMZ 2019).

Relatedly, the **presence of the domestic private sector** in specific partner countries can also guide decisions on geographical priorities. For example, the D4D strategy of Norway states that new digital-based opportunities are to be emphasised in Norway’s political dialogue with countries where Norwegian ICT companies and trade organisations are already collaborating with local partners (Norwegian Ministry of Foreign Affairs 2018).

In addition to focusing on domestic comparative advantages, it is also crucial to prioritise countries and sectors where there is the **highest need** for and interest in digital for development efforts, as well as **readiness** for support towards the digital economy. The Network Readiness Index, which provides insights into digital needs and readiness, shows clear variation between countries. Table 1 depicts these differences by presenting as an example the rankings of five low-income countries.<sup>6</sup>

**Table 2: Examples of the ratings of a selection of countries in the Network Readiness Index 2020** (out of a total of 134 countries)

	Burkina Faso	Cabo Verde	Lao PDR	Mali	Senegal
Overall ranking	125	86	97	123	100
<b>Technology pillar:</b>	<b>132</b>	<b>86</b>	<b>89</b>	<b>121</b>	<b>97</b>
- Access	130	89	112	125	111
- Content	129	99	108	100	116
- Future technology	130	45	26	111	41
<b>People pillar:</b>	<b>123</b>	<b>91</b>	<b>103</b>	<b>129</b>	<b>104</b>
- Individuals	133	89	102	131	110
- Businesses	129	111	112	118	115
- Governments	83	81	93	129	84
<b>Governance pillar:</b>	<b>109</b>	<b>89</b>	<b>127</b>	<b>116</b>	<b>88</b>
- Trust	115	94	125	126	111
- Regulation	100	70	115	108	62
- Inclusion	114	100	130	107	89
<b>Impact pillar:</b>	<b>126</b>	<b>76</b>	<b>53</b>	<b>120</b>	<b>102</b>
- Economy	125	71	22	114	80
- Quality of life	114	97	84	112	99
- SDG contribution	122	48	92	116	112

Source: Dutta & Lanvin 2020

As the table presents, Burkina Faso and Mali rank significantly lower than Cabo Verde, Lao and Senegal, which implies that supporting (one of) these first two countries provides particular opportunities to

contribute to closing the digital divide by helping those countries most left behind. At the same time, network readiness is higher in Cabo Verde, Lao and Senegal, which can provide a good basis for support to take



things to the next level. Relatedly, an important consideration is whether the development partner seeks to contribute to the creation of as many jobs as possible through D4D initiatives, which could be an argument to focus on countries that are more ready. And/or whether the development partner seeks to support digitalisation as a catalyst for the enjoyment of basic human rights, which could be an argument to support countries with the highest need. **This illustrates the trade-offs between closing the digital divide and readiness, which need to be considered and weighted.** Different digital areas and interventions will require different levels of readiness, so this weighing should be fed by more in-depth analysis, while tools such as the Network Readiness Index can serve as one of the sources of information.

Importantly, the table also shows that there are considerable differences between pillars within countries. Lao for example ranks relatively high on the impact pillar<sup>7</sup> and low on the governance pillar. The governance pillar covers topics such as cybersecurity and secure internet servers (as part of the ‘trust’ sub pillar); regulatory quality and ICT regulatory environment (‘regulation’ sub pillar) and the socioeconomic and rural gap in the use of digital payments (‘inclusion’ sub pillar). These differences deserve to also be taken into account when making geographic and thematic choices, and in the case of Lao for example point to the value of considering to support (the inclusiveness of) digital payments.

In a country such as Mali, the level of digital infrastructure is so low that there is not yet a very developed local digital ecosystem. Local companies often do not have the capacity or are currently unwilling to build the infrastructure that is necessary to ensure basic connectivity, and to allow for a digital ecosystem to develop. Closing this gap in connectivity requires working alongside the private sector to understand what is required for them to step in, as well as providing the right kinds of financial instruments to ensure that this happens.

Other countries, such as Senegal, already have relatively well-connected cities, where an innovative local tech sector has begun to develop, and non-tech companies have slowly started to adopt digital technologies. In these countries, there should be a strong focus on supporting the existing local private

sector and on supporting the digital transformation of the public and private sectors – increasing the productivity of non-tech actors by digitalising their work. Here the focus needs to be on understanding the local digital ecosystem and the needs of local businesses, and helping to connect non-tech businesses with tech solutions, which is where the main job gains from digitalisation will be.<sup>8</sup>

For the EU, digitalisation is considered a global interest, but with an immediate focus mainly in Africa, since the digital divide there is the greatest and because Africa is a political priority for the EU. In particular, focus is on African countries that, among other considerations<sup>9</sup>, are more ready to integrate digital technologies (European Commission 2017). The German strategy also mentions a focus on Africa where the population is young and digital skills and entrepreneurship needs to be strengthened at an early stage (BMZ 2019).

Relatedly, D4D strategies have highlighted the importance of **tailoring measures** to the local context. Norwegian strategy specifically talks about the need to build on partner countries’ own existing strategies, ambitions and expertise in the field of digitalisation and innovation. Addressing the specific needs and interests of partner countries also requires targeted approaches and tailor-made solutions. In this regard, the UK highlights the need to understand how digital tools can be applied successfully to particular geographies, people and sectors (DFID 2018). The EU also emphasises the importance of tailor-made management approaches taking into account countries’ geographical, cultural and organisational specificities (European Commission 2017).

In this light, it is essential for development partners to fully map the digital ecosystem in the countries where they act to better understand the needs of local businesses, the gaps in terms of digital infrastructure and the interventions of other international private, public and civil society actors. Some African countries already have relatively thriving and innovative tech ecosystems, yet private sector actors need more support in order to get their products to a wider market, and might benefit from more links with international private sector actors (e.g. through innovation partnerships with European private sector). Meanwhile, some African countries need basic

investments in infrastructure and have virtually no tech ecosystem. In both cases, mapping local actors and understanding their needs is the first step to supporting the local private sector and identifying opportunities for the domestic private sector of development partners.

## 5. Being fit for purpose

What is required for development partners' to be 'fit for purpose' to effectively support a digital economy? This section discusses internal capacity building, using digital tools to improve aid management, cross governmental approach, collaboration and dialogue with different actors, as well as proper monitoring.

### 5.1. Capacity building

Capacity building of development actors in implementing the D4D agenda is not explicitly discussed in all strategies. In particular the strategies

of the UK and Norway expand on the area in most detail. The D4D strategy of the European Commission also includes some details on capacity of staff.

The Norwegian D4D strategy stresses the importance of **all actors** (including Ministry of Foreign Affairs, Norway's development Finance Institution Norfund, and the Norwegian Agency for Exchange Cooperation) **to have a basic knowledge** of the opportunities offered by new technologies in their respective areas of responsibility (Norwegian Ministry of Foreign Affairs 2018). It also directs staff at all levels, including the ministry and consular and diplomatic missions to consider ways to integrate solutions as a means to improve development results.

The UK D4D strategy goes a step further and discusses in detail different tools and approaches that can be used to enhance the capabilities of DFID staff in integrating digitalisation in their work. This includes **consolidating, coordinating and sharing knowledge** (DFID 2018). Box 2 provides some examples.

#### Box 2: Building digital capacities: examples from the UK

A Digital Grid has been developed to identify examples of the use of digital technologies in programmes, which acts as an online database of digital programmes and activities in DFID.

'Trailblazing' country offices and sectors identify, embed, share and scale good practices. In addition, tailored knowledge and guidelines are provided on the opportunities offered by digitalisation in particular geographies, groups and sectors.

A digital curriculum is developed, which includes Digital Ninjas – a peer network of over 200 digital experts across all teams and offices in DFID that support staff in improving their digital capability, and a 'Digital Quiz', which is a digital skills self-assessment tool that measures knowledge and experience and refers individuals to resources to learn about new digital tools and techniques.

*Source: DFID 2018*

With respect to digital support tools, the EU strategy also mentioned a specific D4D section in its online platform "capacity4dev", to disseminate information to development experts and facilitate the exchange of best practices.

### 5.2. Using digital tools to improve aid management

In addition to enhancing expertise and knowledge on integrating digitalisation in projects, digital tools can

also be used to support the delivery of development aid. For both the UK and Norway, digitalisation in aid administration is part of the scope of their D4D strategies. The strategy of the UK in particular has a predominant focus on using digital tools to improve accountability of development aid and allow better decision making. This includes for instance developing DFID's **Aid Management Platform (AMP)** and management information tools in ways that better respond to user needs (DFID 2018). In addition, a **Digital Spend Panel** is used to advise on and approve digital

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spending and delivery in projects. Shared platforms and technologies are also used to collaborate across the government to improve efficiency and make it easier to “build, iterate, reuse and retire” services.

### 5.3. Cross-governmental approach and engagement with other actors

An important element in mainstreaming digital tools for development is ensuring the D4D agenda is embedded across all relevant government departments and agencies, and communication and coordination is maintained between them. This has been recognised in most D4D strategies studied. This may include departments covering areas such as telecommunication, digital policy, economy and trade for example, as well as other public entities such as a national development bank and a development agency. For instance, the Netherlands maintains that digitalisation is an essential factor confronting the entire government in policy challenges, making it important for the Ministry of Foreign Affairs to work with other ministries to share knowledge and exploit synergies (Dutch Ministry of Foreign Affairs 2019). Similarly, Norway, as earlier mentioned, stresses the importance of all relevant government departments involved in Norway’s development cooperation to have a basic knowledge of digitalisation, with the Ministry of Foreign Affairs engaging in dialogue on the topic with other departments/agencies (Norwegian Ministry of Foreign Affairs 2018). UK’s D4D presents a “cross-government vision” for digitalisation and how it contributes to development, with DFID committing to working closely with other government departments on international digital issues (DFID 2018). In addition, digital tools and services are used to enhance communication and connectivity between government departments, such as cross-government shared platforms and the use of common technology services internationally.

Efforts can be made to enhance **structural dialogue between government agencies and the private sector**. Engaging the private sector in structural dialogue can help further leveraging the private sector for D4D objectives, and the sustainable development agenda more broadly. One avenue is to use public-private dialogue to showcase existing and prospective development cooperation initiatives that integrate digitalisation, inviting different stakeholders to identify opportunities for synergies and collaboration. This can

include banks, investors, companies together with public sector actors and civil society.

### 5.4. Development partners’ coordination

Several donors have recognised the need for enhanced **dialogue and peer learning between donors**. In this regard, the D4D strategies amply call for partnerships between donor agencies and governments to promote **innovative solutions, share information and coordinate** their D4D initiatives. For the Netherlands, establishing coalitions to promote digitalisation is an important element of the strategy. The country is committed to working with “like-minded” partners through international or multilateral partnerships (Dutch Ministry of Foreign Affairs 2019). In a similar vein, Norway wishes to identify and strengthen partnerships for supporting innovation in donor countries’ organisation of development aid (Norwegian Ministry of Foreign Affairs 2018). The European Commission’s strategy emphasises on a coordinated commitment between the commission, financial institutions and other donors in order to better deliver on the D4D strategy (European Commission 2017). The strategy of the UK mentions collaboration with other donors through the International Aid Transparency Initiative (IATI) to improve the availability and use of data (DFID 2018).

The recently launched Digital 4 Development (D4D) Hub is an example of EU member states collaborating together to advance the D4D agenda. The Hub is founded by 5 EU member states including Germany, France, Belgium, Estonia and Luxembourg, who identified the need for aligning their digital initiatives for increased impact. In a Team Europe spirit, the platform brings together key stakeholders from EU Member States, private sector, civil society and financial institutions with the objective to “scale up investments in the digital transformation of partner countries; promote a comprehensive values-based rulebook for a digital economy and society worldwide; and promote a stronger and more strategic EU engagement in international digital partnerships”.<sup>10</sup>

The African Union-European Union D4D Hub will be the first operational regional component of the partnership. An example of a flagship project, within the AU-EU D4D hub, is the African-European Digital Innovation Bridge (AEDIB).<sup>11</sup> AEDIB aims to promote dialogue between

African and European innovators and policymakers. A Pan-African network of Digital Innovation Hubs will be established to promote joint ventures between Africa and Europe, and provide technical expertise for small and medium-sized companies and start-ups. There will be a particular focus on supporting youth and women.

In addition, strategies highlight the role that **multilateral organisations** can play in promoting digital transformation in developing countries. In particular, Norway considers multilateral organisations as key strategic partners and identifies a number of multilateral efforts that it will focus on (Norwegian Ministry of Foreign Affairs 2018). An example is Norway's support to the UN Office on Drugs and Crime, the World Bank and the International Telecommunication Union (ITU) to support cyber security and expertise in select developing countries. Similar examples can be found in strategies of other donors. For instance, the Netherlands in its efforts to promote digitalisation in the trade system, supports the UNCTAD's eTrade for all (eT4A) initiative, as well its eTrade for Women Network (eT4Women), which specifically promotes knowledge sharing on specific obstacles and success factors for women in digital trade.

Beyond collaborating with donors and multilateral organisations, strategies have stressed the importance of partnering with a variety of stakeholders, including private sector, civil society and research organisations. Norway wishes to strengthen its strategic partnerships with a broad range of actors such as the UN, civil society, academia, public authorities and the private sector (Norwegian Ministry of Foreign Affairs 2018). Similarly, the EU has committed to ensuring systemic involvement of not just EU member states, but also partner countries, civil society, academia and "first and foremost the digital private sector" (European Commission 2017). In general, a **multi-stakeholder approach** is considered important in implementing the D4D agenda.

### 5.5. Monitoring

With respect to monitoring the impact of D4D initiatives, it is important for development partners to consider how digital interventions are expected to benefit target populations and how this will be monitored and reported. UNCTAD (2019b) recommends donors to develop and apply tools for more "**evidence-based, results-oriented and unbiased monitoring and**

**evaluation** of the outcomes and impacts of donor interventions (UNCTAD 2019b). It stresses the need for more research to document the impacts (benefits and costs) of digital economies on partner countries, and to support statistics used in strategy documents with more objective evidence. The Netherlands strategy does acknowledge the limited contribution of digitalisation in improving the quality of life of vulnerable groups in developing countries (Dutch Ministry of Foreign Affairs 2019). There are some other references to sustainable development impacts, for instance several footnotes in the UK strategy refer to reports providing evidence of benefits to target groups (DFID 2018).

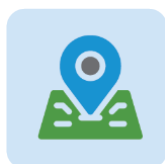
## 6. Recommendations and concluding remarks

This paper has presented insights to help guide the design and implementation of D4D strategies of development partners. The focus has been on the relevance and role of the private sector with respect to the D4D agenda, drawing insights from the D4D strategies of the EU, some of its member states and the UK. Following are some of the key recommendations presented in the paper.



**Consider trade-offs in prioritising countries and sectors:** There are trade-offs in choosing to focus on countries with the greatest (digital) needs to help close digital divides, as opposed to

prioritising support to countries which are more digitally developed. Considering and weighing these trade-offs is important as different digital interventions require different levels of readiness. This depends in part on the D4D-related goals that a country sets itself. For instance, if a country seeks to contribute to the creation of as many jobs as possible through D4D initiatives, this can be an argument to intervene in more (digitally) advanced countries that have infrastructures in place to support digital entrepreneurship. On the other hand, if a development partner seeks to support digitalisation as an enabler of basic human rights, there can be an argument to support countries that lag behind others in terms of digital growth, and thus require support to help bridge the digital divide.



**Tailor to local context:** Geographic and thematic choices need to be guided by the specific challenges, needs and priorities of the partner country.

Mapping the digital ecosystem in partner countries is necessary to understand the needs of local businesses, the gaps in terms of digital infrastructure and the interventions of other international private, public and civil society actors. In addition, efforts can be made to provide greater information to the private sector in donor countries to better understand the local context – including the investment climate and opportunities – in developing countries and regions.



**Engage with start-ups:** Extending support to and cooperating with local start-ups can promote innovative digital solutions to development problems. In addition, start-ups in

donor countries more broadly can play a role in supporting innovation and entrepreneurship in developing countries. At the same time it is relevant to take account of the potentially greater risk in involving start-ups which have limited experience and track record, as opposed to more established companies. Considering such risks and limitations are important when deciding what type of private sector to engage with.



**Build internal capacities:** The D4D strategy should not overlook the need to build the capacity of development cooperation actors to integrate digitalisation in their work. Capacity

building efforts can include D4D-related training sessions and making sure that relevant D4D-related resource documents are available and easily accessible. Furthermore, digital tools can contribute to better management and administration of aid, for example by digitalising certain management processes.



**Strengthen dialogue with the private sector:** The D4D agenda needs to be embedded across the government, and maintaining communication and coordination between all relevant

actors, including the private sector is vital. Public-private dialogue can be used to bring together different actors, including financial institutions, companies, civil society and public sector actors, to identify opportunities for synergies and collaboration for D4D objectives.

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## Annex: List of interviewees

No.	Name, title	Organisation
1	Axel De Ville, Executive Advisor	Appui au Développement Autonome
2	Jean-Philippe de Schrevel, Founder and Managing Partner	Bamboo Capital Partners
3	Paolo Ciccarelli, Head of Unit C5 – Cities, Local Authorities, Digitalisation, Infrastructures	DG DEVCO, European Commission
4	Estelle Lyon-Chaudron, Officer	LuxDev
5	Aziz Ourhalouch, Expert Digital4Development	LuxDev
6	Max Glesener, Programmes Adviser – Africa	LuxDev
7	Vanessa Stoz, Programmes Adviser – Asia, Latin America, Kosovo	LuxDev
8	Thomas Bertrand, International Affairs Advisor, Sub-Saharan Africa, Europe (South-West)	Luxembourg Chamber of Commerce
9	Gilles Hoffmann, Emergency.lu coordinator	Ministry of Foreign and European Affairs, Luxembourg
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11	Paul Weber, D4D / private sector	Ministry of Foreign and European Affairs, Luxembourg
12	Jean-Louis Perrier, Co-founder	Suricate Solutions Security & Payments
13	Alex Panican, Head of Partnerships and Ecosystem	Luxembourg House of Financial Technology (LHOFT)

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<sup>1</sup> See the GSMA [Mobile Internet Connectivity 2019 Sub-Saharan Africa Factsheet](#).

<sup>2</sup> The D4D strategy of the UK was developed by the Department for International Development (DFID), which has since then been integrated in the Foreign, Commonwealth and Development Office (FCDO).

<sup>3</sup> [ADA \(Appui au Développement Autonome\)](#) is one of the implementing partners of the Ministry of Foreign and European Affairs of Luxembourg.

<sup>4</sup> For more information see: <https://www.ada-microfinance.org/sites/default/files/2020-12/ada-activity-report-2019.pdf>.

<sup>5</sup> Since the Dutch strategy covers both foreign trade and development cooperation, the thematic areas listed here do not reflect all priorities of the strategy, as the focus of this paper is on development cooperation. In addition, the strategy does not always concretely list priorities, so the paper has focused particularly on key areas discussed in the strategy related to the D4D type projects which are relevant for private sector engagement.

<sup>6</sup> The Network Readiness Index is a global index on the application and impact of information and ICT in economies around the world. The 2020 report maps the network-based readiness of 134 economies based on their performances in four different pillars: Technology, People, Governance, and Impact. Each of these pillars is itself comprised of three sub-pillars, which have been populated by a total of 60 variables. See for more information: <https://networkreadinessindex.org/>.

<sup>7</sup> This holds true particularly for the economy sub pillar, which covers for example medium and high-tech industry as well as high-tech exports (Dutta & Lanvin 2020).

<sup>8</sup> [The Future of Work in Africa: Harnessing the Potential of Digital Technologies for All](#).

<sup>9</sup> This includes the priority countries identified under the European Agenda on Migration.

<sup>10</sup> For more information see: [Team Europe: Digital4Development Hub launched to help shape a fair digital future across the globe](#)

<sup>11</sup> For more information see: <https://d4dlaunch.eu/#program>.



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