MULTILATERAL DEVELOPMENT BANKS’ INVESTMENTS IN THE ICT SECTOR

Key Findings from Research Conducted for the Working Group on Multilateral Development Banks (WG-MDBs)

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Where is the ICT investment from MDBs?

$525 BILLION OVER THE PAST 5 YEARS*

RESEARCH OBJECTIVES

1. UNDERSTAND THE SCALE & NATURE OF MDB INVESTMENTS IN THE ICT SECTOR

2. SIZE UP THE CAPITAL REQUIREMENTS TO ACHIEVE UNIVERSAL ACCESS TO CONNECTIVITY, ALONG WITH THE ASSOCIATED CAPITAL GAPS

3. FRAME RECOMMENDATIONS TOWARDS INCREASING THE IMPACT OF MDBs IN THE ICT SECTOR & CLOSING THE CAPITAL GAP

*2012 to 2016; Based on data from 9 MDBs (IBRD, IDA, IFC, AFDB, ADB, IDB, EIB, AIIB and NDB); including low to middle income countries only. Sources: Xalam Analytics Research based on MDB data
We analyzed about 7000 MDB projects in low & middle income countries (2012-2017)

Analysis of MDB commitments in low & middle-income economies 2012-2017

Analysis of MDB project data – 7000 projects in low & middle-income economies 2012-2017

Interviews with key MDB staff & online survey

ICT infrastructure financing gap modelling & analysis
1. UNDERSTANDING THE NATURE OF MDB INVESTMENTS IN THE ICT SECTOR
MDB investments in the ICT sector are only about 1% of total commitments!

*Based on capital commitment data from 9 MDBs (IBRD, IDA, IFC, AFDB, ADB, IDB, EIB, AIIB and NDB); Sources: MDBs, Xalam Analytics Research

~1% of annual MDB commitments;

Median MDB ICT commitments are ~0.5%-1% of total commitments;

~$1.2bn to $1.4bn a year;

A disconnect vs. ICT contribution to economic growth.
Southeast Asia and Sub-Saharan Africa account for ~70% of MDB projects in the ICT sector

MDB Project Commitments in the ICT Sector: Map View

*Based on a sample of 155 identified ICT projects approved by 9 global and regional MDBs between January 2012 and December 2016; based on primary focus of the project; some projects may overlap categories; segment categories based on Xalam Analytics definition. // Sources: MDBs’ operations datasets; Xalam Analytics Research
2. WHY ARE MDB INVESTMENTS IN THE ICT SECTOR LOW?
Our preliminary analysis indicates that the ICT sector generally accounts for less than 3% of annual investment commitments by MDBs. To what would you attribute this low contribution?

- **Other sectors have higher priority**: 100%
- **Project size - ICT projects are of a smaller scale, compared to other infrastructure investments**: 100%
- **ICT sector capital requirements are adequately covered by private sources of funding**: 75%
- **Other sectors are more important / have deeper impact on our ability to achieve our goals**: 50%
The sector is perceived as a near-exclusively private capital-driven industry, with limited need for public sector intervention.
3. WHY MDB INVESTMENTS IN ICT MATTER: THE INVESTMENT GAP TO ACHIEVING UNIVERSAL ACCESS TO CONNECTIVITY
To close the universal access gap we need an additional ~$10bn a year

Investments Required to Reach Universal Access to Connectivity in Low & Middle Income Countries

- ~2.3bn users need to be brought online to achieve universal access to connectivity;
- ~$160bn to achieve universal access to connectivity;
- A ~$100bn capital investment gap - ~$10bn a year, o/w 60% tied to infrastructure – the balance tied to skills, awareness, content.

Achieving universal access to connectivity will require more MDB/Public sector intervention – not less.

*Universal access defined as 95% internet subscription penetration of the population; Based on a sample of 50 low and middle-income economies, using World Bank definition; requirements excluding smartphone costs; projections are policy-neutral; Source: Xalam Analytics estimates
A case for nuance: Some markets will require more intervention than others

Private sector investments as a % of estimated capital requirements to achieve universal access to connectivity

- Private sector capital levels mostly meet requirements to achieve universal access – a targeted approach is needed
- Private sector capital falls short of requirements to achieve universal access

*Based on a sample of 50 low and middle-income economies; country mobile capital expenditure is used as the primary proxy for private sector capital investment; universal access defined as 95% Internet subscription penetration of the population; requirements excluding smartphone costs; projections are policy-neutral. Sources: Operator, regulator data; Xalam Analytics Estimates
4. WHAT WILL WE DO ABOUT IT?

A PRELIMINARY SET OF RECOMMENDATIONS
Guiding principles for more effective MDB investments in ICT sector

*Initial Suggestions*

- Propose a paradigm shift with a focus on closing the investment gap and increase impact
- Strategic investments in the enabling policy frameworks are key
- Greater focus on rural investments with innovative approaches to finance and policy
Thank you!

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