

# MULTILATERAL COOPERATION CENTER FOR DEVELOPMENT

## WORKSHOP 3: DIGITAL INFRASTRUCTURE FINANCING



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MULTILATERAL  
COOPERATION CENTER  
FOR DEVELOPMENT FINANCE

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# MDBs as Catalysts and not just as Lenders

**\$4.9B**

Total IDA digital  
commitment: 42  
projects in 38  
countries

**Leverage private capital** through blended finance and not replace it

**Create enabling environment** for PPPs including, regulatory reforms that support spectrum policy, open-access rules, infrastructure sharing mandates

**De-risk projects** through structured Financing

- Competitive grant schemes: operators bid for **least subsidy** per coverage area
- Availability payments tied to milestones - not revenue risk -making projects bankable

# Scale Gap - MDBs are punching below their weight in Digital

## Volume Mismatch

ICT Receives less of MDB Infrastructure financing. Energy and transport receive 68%

## Instrument Gap

**Heavy reliance on sovereign loans**; limited use of guarantees, blended VGF, or results-based instruments.

## Policy Depth

Many countries **lack broadband state-aid frameworks** or PPP pipelines

## Why the Gap ?

- **Governments undervalue digital infrastructure's economic multiplier (vs. roads, power)**
- **MDBs lack standardized PPP templates for broadband (unlike IPPs in energy)**

# KODE Kosovo: Competitive Grants and Open Access



## How It Works

1



### Call for proposals in designated lots

Pre-identified unserved settlements grouped by cadastral zones

2



### ISPs bid for least-subsidy grant

Selected based on least funding + most efficient technical solution

3



### Design-Build-Operate model

ISPs build, manage, and commercially exploit co-financed networks

4



### Disbursement on completion

Grant payment linked to verified deployment of infrastructure

## Proven Results: KODE

16

Tender Rounds

59

Agreements

21

ISPs

Grant Ratio: 1:1 → 4:1 for remote areas

**100% Fiber**

Technology-neutral → all fiber deployed

### Key Features





- ✓ 100 Mbps min, upgradeable to 1 Gbps
- ✓ Healthcare & education priority
- ✓ Open access & EU-aligned obligations
- ✓ Progressive competition mobilization



# Tanzania: Reverse Auction Subsidy Mechanism



## How It Works

-  **UCSAF designates geographical zones**  
Areas clustered into lots for bidding
-  **Bidders compete for lowest subsidy**  
MNOs, TowerCos, HAPS providers bid for minimum CAPEX subsidy needed
-  **Blended funding leverages private capital**  
WB + UCSAF/USF funds combined with private sector investment
-  **Off-grid power solutions included**  
Solar arrays with battery storage for areas ahead of rural electrification



## Proven Results: RCIP-TZ

**\$30M**

WB Investment



**\$70M**

Private Leveraged



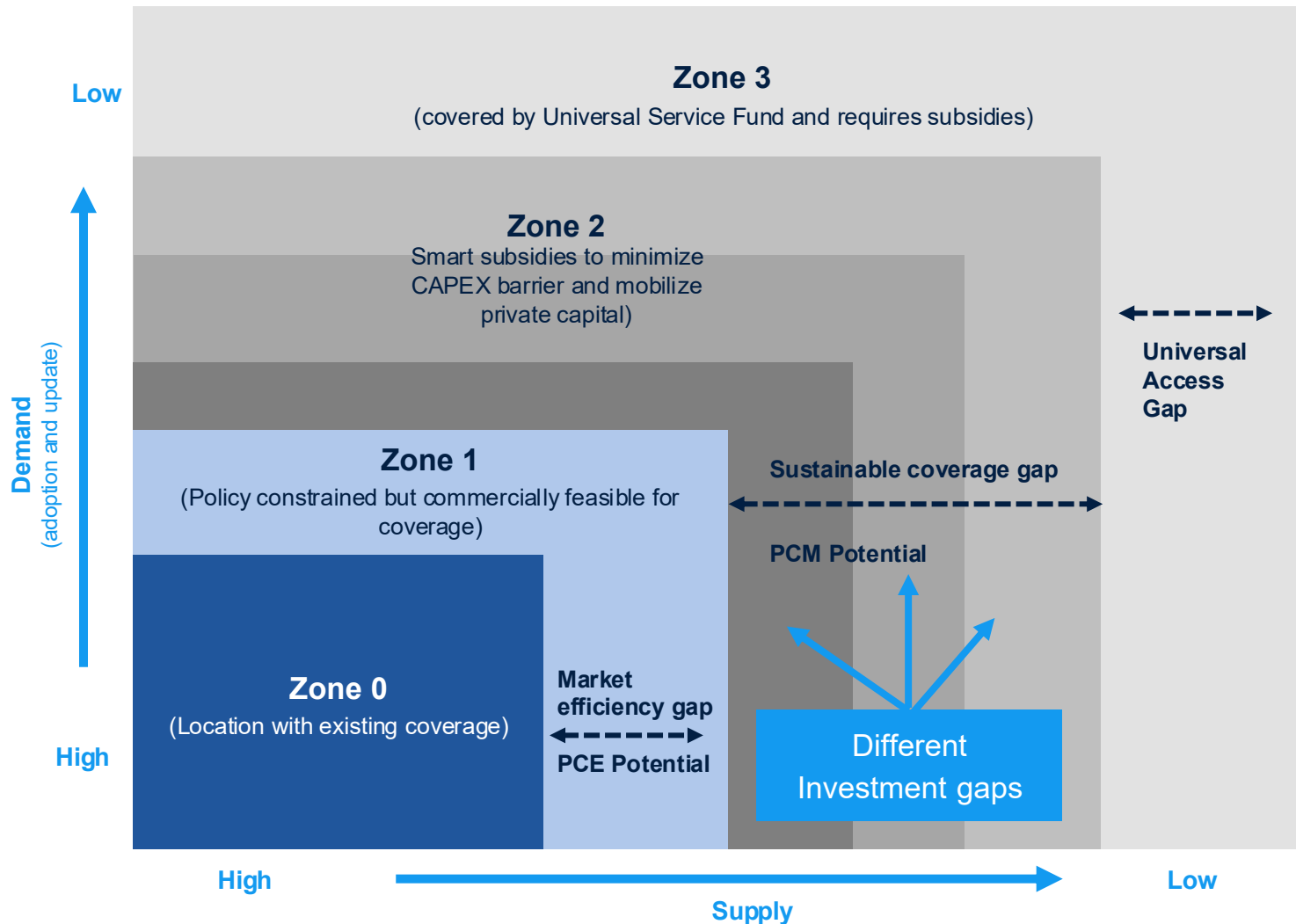
**2.5M people**

reached with mobile signal for the first time

## Key Benefits

- ✓ Competitive pricing minimizes subsidy
- ✓ Private capital mobilization (PCM)
- ✓ Sustainable rural coverage expansion
- ✓ Renewable energy integration

# In Bangladesh and Pakistan DGAF approach systematically categorized the broadband market into four distinct zones based on the availability and sustainability



**Identify opportunities for private capital mobilization and public investment to expand digital connectivity.**

## Zone-0 – Current Level of Access

Areas where broadband services are currently available, primarily targeting affluent urban households, businesses, & public institutions.

## Zone-1 – Market Efficiency Gap

Areas with an existing demand for broadband services but facing market efficiency gaps due to regulatory or infrastructural barriers.

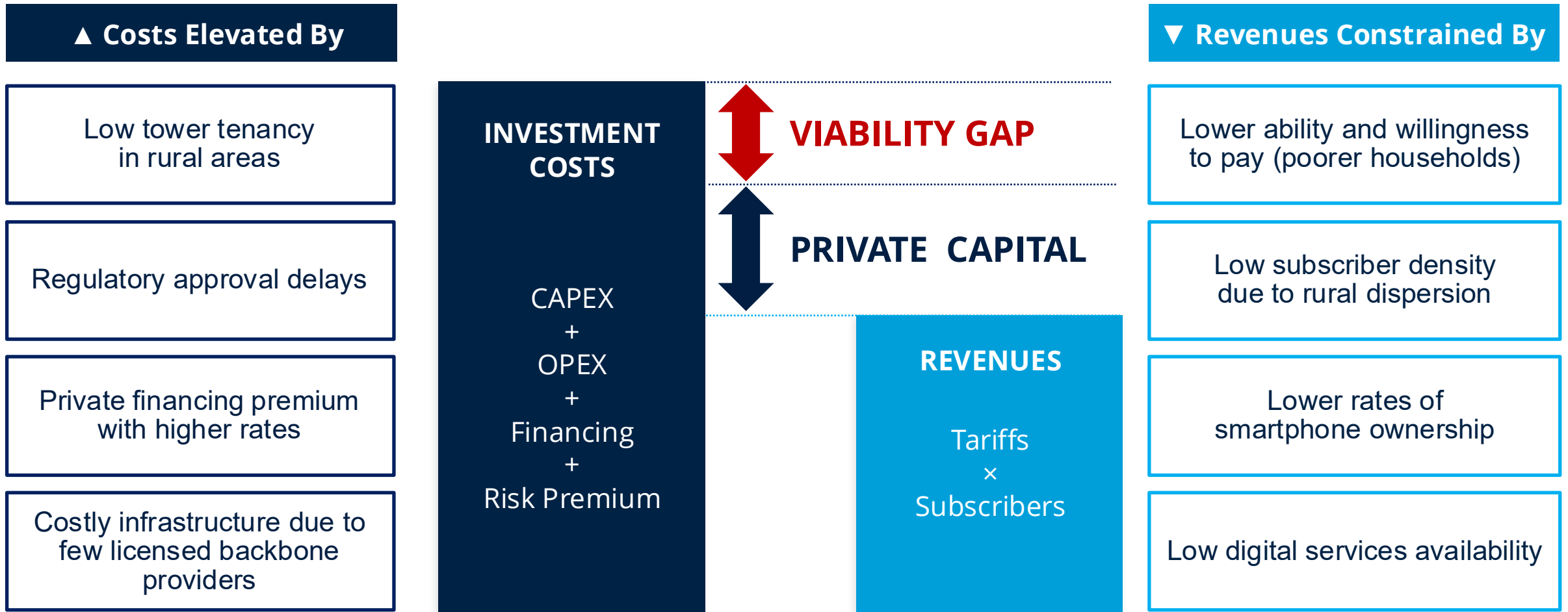
## Zone-2 – Sustainable Coverage Gap

Areas where broadband services could be sustainable with initial public investments to overcome capital cost barriers. These areas show potential for long-term viability if supported through strategic policy and regulatory reforms.

## Zone-3 – Universal Access Gap

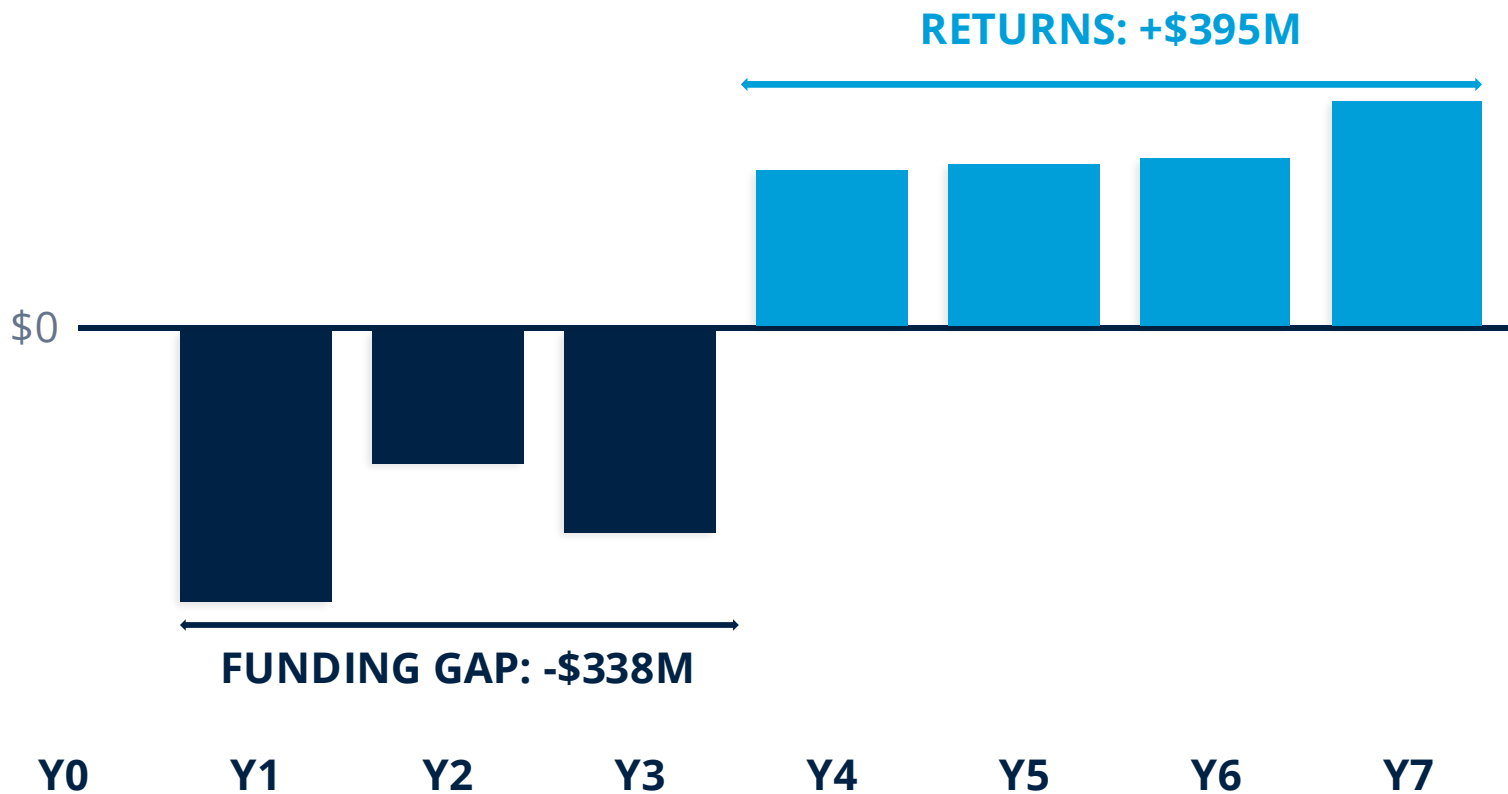
Areas requiring ongoing subsidies for broadband infrastructure to remain viable, mainly rural and remote regions that lack economic feasibility without continued support.

# Why Private Operators Don't Invest: Gap Between Infrastructure Deployment Costs and Early Realizable Revenues



**Without public intervention to close this gap, underserved areas will remain unserved**

# Upfront costs & uncertainty of early revenues deter investments in broadband infrastructure, although revenues grow over time



Over a Seven Year Period	
Total Costs	\$489M
Total Revenue	\$867M
<hr/>	
Nominal Profit	+\$378M
<i>But at 20% WACC...</i>	
<b>NPV</b>	<b>-\$90M</b>
<b>IRR</b>	<b>3.8-6.8%</b>

The Solution	
\$108M public financing	<b>Bridges gap</b>
New IRR	<b>20.1%</b>
Private \$ unlocked	<b>~\$267M</b>

**The \$108M grant bridges the early-year funding gap, making the project viable for private investors**

# What US\$108 Million in Public Investment Unlocks

	Without Public Funding	With \$108M in Viability Gap Financing
Return to Investors	3.8%	20%
Will Private Sector Invest?	No	Yes
Private Capital Mobilized	\$0	\$267M

## What \$108M in public funding can deliver

**1,973**

unions connected

**39M**

people gain access

**28%→75%**

tower fiberization

**2.7x**

leverage ratio

**\$108M in public funding unlocks \$267M in private investment to connect 1,973 unions**

# Comparing Three Approaches for Connecting Underserved Unions

	Viability Gap Financing (VGF)	Demand-Side Stimulation	Re-lending / On-lending
	<p>▶ <i>Current proposal</i></p>		
<b>Mechanism</b>	Incentive closes investment gap for operators	Subsidies for devices, data vouchers, digital literacy	Concessional loan via Financial intermediary to operators
<b>Infrastructure built?</b>	Yes — directly funds fiber & tower rollout	Relies on existing or planned networks	Smaller subsidy element reduces gap closure
<b>Private capital mobilized</b>	\$267M (2.7x leverage)	Limited — no direct infrastructure trigger	Moderate — operators still bear most investment risk
<b>Cost recovery</b>	No — grant is spent	No — subsidies consumed	Yes — loan is repaid (revolving fund possible)
<b>Unions connected</b>	1,973 unions	0 (no new build)	Fewer than VGF due to smaller subsidy element
<b>People gaining access</b>	~39M people	Dependent on existing coverage footprint	Lower reach than VGF
<b>Speed of impact</b>	Medium (2–4 yrs construction cycle)	Slow (hard to target; verification is slow)	Slow (intermediary setup + lending cycle: 3–5 yrs)

**Demand-side and re-lending do not substitute for closing the viability gap but may result in smaller gains.**

# Replication Framework – What Works!

## 1 Maximize private capital through smart subsidy design

- Competitive VGF grants (bid for **least public funding**)—not revenue-share or operator subsidies
- Availability payments (not demand risk)—makes projects bankable for institutional investors
- Open-access obligations + cost-based wholesale pricing

## 2 Pair financing with regulatory enablement

- Spectrum allocation tied to rural coverage obligations (incentive, not license auction)
- GIS mapping tools for transparent "white area" identification (avoid crowding out commercial investment)
- Infrastructure sharing mandates (tower/fiber separation from MNOs)

## 3 Embed social/climate obligations

- Free connectivity to schools/clinics (5+ years)—ensures inclusion beyond commercial logic
- Climate-resilient design (underground fiber, renewable-powered towers, OPGW on power grids)

### Financing Instruments MDBs Should Scale:

- VGF matching grants (proven in Kosovo, scaling in Bangladesh)
- MIGA guarantees for private fiber/tower investors (underutilized today)
- Results-based financing linked to connections/adoption (not just build-out)

# Thank you

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