EXECUTIVE SUMMARY

GLOBAL DIGITAL TRANSFORMATION IS AT A TIPPING POINT

Fast-paced digital transformation is a strategic opportunity to accelerate progress towards development goals. Between 2019 and 2021, 800 million people came online for the first time – a historical jump driven by the need to work, learn and communicate during the COVID-19 pandemic lockdowns. Universal Internet coverage is a standalone target in the Sustainable Development Goals (SDGs), but the transformative power of digital technology is that it offers a gateway to job opportunities, improved government services and enhanced citizen engagement, and widens the global digital economy to include more people.

But developing countries are being left behind. Of the 2.9 billion people who are still offline, most live in developing countries. These populations either do not have Internet coverage or face barriers to use. Some 30% of Africa's isolated rural population may never be reachable with terrestrial fibre-optic networks in a cost-effective way and 19% of the population of sub-Saharan Africa still do not have access to mobile broadband. Closing the coverage gap is essential, but not sufficient: 43% of people with access to mobile broadband do not use it. Closing the usage gap must now be the focus.

Barriers to usage include a lack of access to basic enablers. In sub-Saharan Africa, 600 million people do not have electricity to power digital devices. The high costs of data and digital devices mean that the 10 least-affordable countries for 1GB of mobile data are all developing countries. Lack of digital literacy is the most frequently cited reason in developing countries for not using the internet. Women and girls in particular have lower access to technology and lower digital literacy than men and boys, and are concerned about safety online.

Alongside the coverage and usage gaps, managing digital transformation throws new policy challenges at governments. Most developing countries have limited social protection and struggle to transition the largely informal workforce to digital sectors. Economic policies are failing to capture the benefits of e-commerce or even encourage the take up of digital tools such as email or websites in the wider economy. Developing countries' limited resources also struggle to meet new regulatory demands and address highly specialised technical issues.

INCLUSIVE GLOBAL CO-OPERATION IS NEEDED TO MANAGE SHARED PROCESSES AND RISKS

Supranational rules must respect digital sovereignty – the power and authority of a

national government to make unfettered decisions affecting citizens and businesses within the digital domain. However, new risks arising from increasingly complex issues such as taxation of global digital companies, inter-dependent cybersecurity, privacy, and protection of cross-border data flows require harmonisation of governance frameworks across countries. Furthermore, only aligned national, regional and global efforts can counter the risks of digital tools being used to perpetrate human rights abuses, data leaks, cyber-attacks and the spread of disinformation within and across borders. And a common indirect risk among countries is the compounding of offline inequalities, which must be met with people-centred approaches.

To be successful, international standard-setting must recognise the varying digital and regulatory capacity levels of low- and middle-income countries. About 70% of the countries that adopted data protection laws since 2010 are low- and middle-income, but implementation proves difficult with few resources. Lack of implementation can lead to higher trading barriers and regimes that are unsuitable to the context. Developing countries must participate in digital trade discussions and help shape the rules that will underpin a growing part of their economies, but African countries account for only 6 of the 75 countries in negotiations on global rules on e-commerce at the World Trade Organisation.

DEVELOPMENT CO-OPERATION CAN TIP THE BALANCE TOWARDS A JUST DIGITAL TRANSFORMATION

As with the imperative to go green, the choices countries make now in terms of digital investment, infrastructure, regulations, policy and capacity will either lock in digital divides for decades to come or lay the foundations for a future of shared prosperity and well-being.
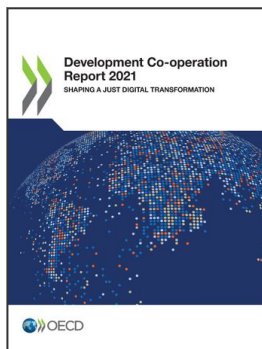
The global digital transition thus challenges development co-operation providers to adapt and ensure their actions contribute to digital transformations that are inclusive, advance sustainable and green development, and manage the risks and rewards of digital technologies. As stakeholders in these choices, they can also raise questions of rights, power, ownership, protection, fairness and equality that must be addressed to tip the balance towards a just digital transformation.

Leveraging their resources and relationships, official development actors can create partnerships to maximise the returns on limited financing for digital investment, and help low- and middle-income countries shape the global standards they are expected to meet. Development actors must also recognise that digital interventions can have negative consequences and evaluate whether their decisions and interventions use digital tools to maximum advantage.

Overall, development co-operation can tip the balance towards a just digital transformation by:

- ▮ Ensuring policies and partnerships power an inclusive digital future

- ▮ Supporting national and regional building blocks for sustainable digital ecosystems

- ▮ Making digital financing fit for purpose with greater scale, innovation and flexibility

Just nine years remain to regain ground lost in the COVID-19 crisis and achieve the Sustainable Development Goals (SDGs). Development actors have a role to ensure that digital transformation serves those aims.