Department for International Development

UKaid from the British people

Sustainable infrastructure for shared prosperity and poverty reduction: A policy framework

Summary

January 2015

Introduction

As set out in DFID's infrastructure position paper published in 2013[1], supporting improved infrastructure service provision is crucial to delivering DFID's economic and human development objectives. Our work in this area spans a range of sectors, including energy, transport, water and sanitation, information communications technology (ICT), housing and urban infrastructure. DFID has recently refreshed its infrastructure policy approach and this summary sets out the actions we have identified to enhance the impact of every pound of UK aid spent on infrastructure. The summary starts by setting the context for the policy refresh with an overview of why and how we work in infrastructure.

Why infrastructure is important

Helping countries improve on how they deliver infrastructure services is central to achieving economic development and providing poor people with opportunities to escape poverty. Reliable, accessible energy, transport and communication services support increased productivity, facilitate trade and create an environment in which business can flourish. Access to infrastructure enables people to take advantage of economic opportunities and access markets, jobs, information and training. But in sub-Saharan Africa and South Asia, many hundreds of millions of people still lack access to electricity, transport and water and sanitation and inadequate infrastructure is consistently identified as a major barrier to doing business.

The results DFID is working towards

DFID is working to deliver improved infrastructure service provision through multiple partners and in multiple countries. By 2015, we will:

- Reach 60 million people with our water, sanitation and hygiene programmes
- Build or upgrade more than 6,000 km of rural roads in Nepal, the Democratic Republic of the Congo and Afghanistan.
- Provide sustainable energy services to more than 10 million people.

How DFID works in infrastructure

DFID encourages innovation and works through highly performing partners to deliver on our infrastructure agenda.

Multilateral organisations (MOs) such as the World Bank and African Development Bank are key partners as they provide large-scale loans to governments for capital-intensive infrastructure programmes, a financing modality in which most bilateral donors are not well-suited to engage. DFID channels around 50% of our infrastructure spend through MOs.

DFID works with the private sector to mobilise finance for infrastructure in ways that benefit the poor. Working in this way we can use our resources to mobilise finance far in excess of the original contribution. Two of our key partnerships are with the Private Infrastructure Development Group (PIDG) (see case study below) and CDC, the UK's Development Finance Institution, which invests to build businesses and create jobs throughout Sub-Saharan Africa and South Asia. In recent years, CDC has scaled up its engagement in infrastructure in recognition of its role in economic development and job creation.

[1] DFID (2013) Connecting People, Creating Wealth: Infrastructure for economic development and poverty reduction. London: DFID

DFID **directly finances infrastructure that reaches the poorest**, including water and sanitation and rural roads, working through a broad range of partners, including the European Commission, UN Agencies, Multilateral Development Banks and NGOs. These programmes involve communities from the outset and have a strong focus on empowering girls and women.

In the 26 DFID country programmes which have infrastructure components all work is carried out in close liaison with **developing country governments**. The success of our programming depends on developing strong relationships with government counterparts.

Across our partnerships, the UK's £3.7 billion **International Climate Fund** enables us to support the development of sustainable energy supplies and improve the resilience of infrastructure to climate-related impacts.

Case Studies – the difference that affordable, reliable infrastructure services can make

Working with the private sector *to mobilise finance can help close the huge infrastructure financing gap in DFID focus regions*.

Improving access to energy in Uganda: the Bugoye Hydropower Dam

Uganda has one of the lowest rates of per capita energy consumption in the world. Barely 6% of the rural population have access to electricity and industry is held back by power shortages and high costs. The DFID-supported Emerging Africa Infrastructure Fund (a facility under the Private Infrastructure Development Group) played a significant role in raising the finance needed to construct a hydropower dam, Bugoye, in Uganda, providing a $US33 million, 15-year loan. Bugoye was completed in 2011 and, together with four other small private hydro plants nearby, now supplies green energy that meets most of Western Uganda's electricity needs.

Access to ***clean water and adequate sanitation*** *can save millions of lives every year by preventing illness associated with drinking unsafe water and unsanitary practices.*

Providing access to water and sanitation in Zimbabwe

UK aid is helping UNICEF to provide sustainable access to a safe water supply for 1.5 million people, improved sanitation to 0.5 million people, and to improve the hygiene practices amongst the rural population in 30 districts in five provinces. The project will improve conditions for 20% of Zimbabwe's rural population and help to prevent a repeat of the 2008 cholera outbreak, which caused over 4,000 deaths.

Girls and women use a handpump constructed under a DFID project to improve water and sanitation services in vulnerable areas in Freetown, Sierra Leone.
Photo Credit: Martin Walshe, DFID.

How DFID will achieve more

DFID will enhance the impact of every pound spent on infrastructure aid by:

- Refining our approach to ensure that we focus on **interventions where we can make the biggest difference** to promoting growth and reducing poverty.
- Driving effective influencing of **key multilateral partners and in international fora**
- Scaling up **activities that support economic development**, in areas where DFID is best placed to act.
- **Systematically integrating key cross-cutting priorities**, particularly on climate and environment, poverty and girls and women, across all elements of our refreshed approach to infrastructure investment.

Ensuring that we focus on interventions where we can make the biggest difference to reducing poverty

We have identified a number of key areas were DFID can make a real difference. This includes providing flexible assistance to governments to help them reform legal and regulatory frameworks for infrastructure provision in ways that make a difference far beyond one individual project (see case study below). A second example is mobilising private finance for infrastructure in low income countries.

We will further enhance existing guidance and rigorous tools to ensure that we focus more on the things were we can make the biggest difference. This will involve assessing options at selection stage in terms of their returns to society and how well the planned programme matches with DFID areas of strength.

Providing Flexible Assistance to Governments: Improving access to power in Nigeria

Under the **Nigeria Infrastructure Advisory Facility (NIAF)**, DFID support on power infrastructure was specifically requested from the President's Office. Power is a major constraint to growth in Nigeria, a country with 160 million that, in 2011, had approximately the same supply of grid power as Bradford in the UK, population 300,000[2]. In the period up to 2012, NIAF's flexible support to the government led to an increase in power supply of 40%, mainly through improved operations and maintenance, saving consumers an estimated £1 billion a year. Since then, NIAF has supported a large scale power sector privatisation which has generated around $2.5 billion for the government and is forecast to generate around the same again for power sector investment.

Drive effective influencing of multilateral partners and in international fora

Approximately half of the UK's overall spend on infrastructure development is channelled via multilateral partners. This makes sense given multilaterals' many areas of strength, including their broad reach and ability to provide large-scale loans to governments. Our investment in multilateral organisations has yielded significant results to date. For example, the World Bank Group's concessional lending arm – the International Development Association (IDA) - has helped provide 113 million people with access to an improved water source over the last decade; and 60 million people have benefitted from investments in roads.

At the same time, the scale of UK funding puts us in a good position to shape multilaterals' policy and programme priorities and we plan to use our influencing potential more strategically. One emerging priority is encouraging multilateral partners to use more of their funds to mobilise other sources of finance, particularly from the private sector.

We will also look beyond the traditional boundaries of the aid agenda to engage in 'international actions' that influence global financial, economic and environmental systems. The UK's position on the international

---

[2] The Economist, Nigeria's Prospects: A man and a morass, May 26th 2011

stage combined with technical strength in DFID and beyond puts us in a good position to do this, including through the G20.

Scaling up activities that support economic development, in areas where we best placed to act

We will invest more in activities where our involvement can lead to transformative change. We will scale up activities in programmes similar to the Nigeria Infrastructure Advisory Facility and Trade Mark East Africa (TMEA). And we will continue to use our funds to mobilise significant flows of private sector finance. We will continue to build on existing successful instruments such as the PIDG and work with CDC to capitalise on its transformative potential.

We will also explore opportunities to work more in the areas of **urbanisation and regional infrastructure**, in order to help countries capture the growth opportunities associated with rapidly growing cities and regional economic corridors that support trade.

Improving infrastructure in East Africa to increase exports

Trade Mark East Africa aims to achieve a 10% increase in the total value of exports from the East African Community by 2016 through helping countries attract investment resources from multilateral and bilateral institutions and the private sector. TMEA's work on improving infrastructure and processes at Mombassa Port in Kenya has helped reduce the time it takes to clear cargo from 14 days to just 4 days. This increase in efficiency is crucial to support the government's aim of a sixfold increase in cargo through the Port between 2011–2030.

Long queues at Malaba border post between Kenya and Uganda. Trade Mark are constructing six One Stop Border Posts in East Africa to reduce cross border transit times and reduce the cost of regional trade.
Photo credit: Trade Mark East Africa

Systematically integrating key cross-cutting priorities, particularly on climate and environment, poverty and girls and women, across all elements of our refreshed approach to infrastructure investment

We will support countries in making the best choices to develop sustainable and climate resilient growth paths, making efficient and effective use of the International Climate Fund. For every project we will set out an evidence-based understanding of the links between our activities, poverty reduction and benefits for girls and women, including for economic development programmes where those impacts may not be immediate. We will monitor our programmes and feed the lessons learnt back into new programme design to improve impact. We will continue to have a strong focus across our portfolio on results, fighting corruption and increasing transparency.

Together, these priority actions will enable DFID to secure a greater return on the money we invest in supplying energy, transport, water and other infrastructure services.

The Department for International Development:
leading the UK government's fight against world poverty.

Department for International Development
22 Whitehall
London
SW1A 2EG
UK

and at:

Abercrombie House
Eaglesham Road East
Kilbride
Glasgow
G75 8EA
UK

Tel: +44 (0)20 7023 0000

Fax: +44 (0)20 7023 0016

Website: www.dfid.gov.uk

Facebook: www.facebook.com/ukdfid

Twitter: @DFID_UK

Email: enquiry@dfid.gov.uk

Public enquiry point: 0845 3004100 or +44 1355 84 3132 (if you are calling from abroad)

Published by the Department for International Development, January 2015

Front cover: DFID supported road reconstruction in DRC. Photo credit: SOFRECO