

## **Role of IDA in Infrastructure Executive Summary**

- i. One of the challenges of sustainable economic development is to provide basic infrastructure services that are affordable, reliable, and safe as well as accessible to rich and poor people alike. In many ways, infrastructure services are the backbone of a modern economy. Without them, the potential for lasting economic growth and poverty alleviation is compromised, because infrastructure is the platform for delivery of many other essential services required for meeting economic, social and environmental goals.
- ii. Today, too many people in low-income countries still lack access to basic infrastructure services; an estimated 1.1 billion people live without safe water; 1.6 billion people live without electricity; 2.4 billion live without adequate sanitation; and more than 1 billion people are living without access to an all-weather road or telephone services. Lack of modern energy sources, safe water and access to markets and information sharply limit the reach and effectiveness of health care, education and economic opportunities available to poor people.
- iii. Infrastructure development requires sound investments coupled with supportive policies and capable institutions. This has long been recognized in the development community despite varying levels of assistance for infrastructure over the years. For more than forty years IDA has played a central role in supporting recipient countries to improve the reach and quality of infrastructure services, providing concessional financing, advice and technical assistance. Despite these investments, it is estimated that low-income countries are only spending about half of what is required in infrastructure maintenance and development. If not reversed, insufficient investment will continue to hamper economic growth and improvements in living standards.
- iv. Several factors account for the investment deficits. Limited domestic resources, shifts in overseas development assistance (ODA) away from infrastructure (to debt-service reduction and social sectors), and limited private investment are proximate factors contributing to the deficit. Private investment flows and ODA have increased in recent years, but the investment gap remains as large as ever as population growth and indeed renewed economic growth have outstripped gains in many low-income countries. Much more is required for low-income countries to provide basic, reliable, cost-effective water, sanitation, energy, transportation and telecommunications services to their citizens and accelerate progress toward the Millennium Development Goals (MDGs).
- v. Increased financing will not, by itself, be sufficient to sustain services and expand access. Roads, pipes, and power plants alone will not bring sustained improvements to people's lives. More efficient and sustainable operation of existing infrastructure and better allocation of capital for new investments are required for increased spending to translate into improved services. Greater productivity from present spending levels is needed, coupled with policies and institutional arrangements that promote financial, environmental, and social sustainability. These are essential complements to increased spending on infrastructure. With the progressive decentralization of responsibility for service delivery and oversight across all regions, central governments need to work with local authorities to create incentives to invest and operate efficiently and to extend services to the poor. Low-income countries must build strong, capable institutions at the same time they build infrastructure. Many are doing so, but

much more remains to be done. Infrastructure services link isolated communities, integrate them into markets, facilitate access to education and healthcare, and to other services essential for raising standards of living. But infrastructure development at times can be complex, controversial, and risky. IDA with its partners has learned how to better manage these risks. IDA has learned that there is a need to reconsider the respective roles of the private and public sectors. It is necessary to draw more on the private sector as a source of financing, expertise and innovation but government retains a central role as an enabler and provider. In addition, infrastructure investments need to strike a balance between scale and responsiveness to local conditions. IDA increasingly supports projects at the local level that reflect community preferences and capabilities. Projects must be designed and managed to safeguard people and nature, and the governance environment for infrastructure delivery is crucial to ensuring that investments effectively translate into improved services.

vi. IDA has taken on these lessons in its financing and capacity building activities. Working with its sister institutions within the World Bank Group (IBRD, IFC, MIGA) and with a broad range of international and local partners, IDA assistance combines several closely interlinked elements: expanding access to infrastructure services; improving the quality and sustainability of infrastructure services; facilitating the development of local industries; ensuring sound management of natural resources and the environment; promoting social sustainability; providing reconstruction relief after emergencies; and helping to reduce the risks of natural hazards.

vii. Today, IDA-15 is well positioned to help countries make lasting improvements in people's lives by prioritizing sustainable access to transport, water, energy and telecommunications. Transport improvements will help provide greater access to markets for poor, rural communities. Sanitation and hygiene improvements could have lasting health benefits for millions of people. Increasing energy access will connect schools and health clinics and help families meet their basic energy needs for lighting and cooking. Under IDA-15, efforts to expand energy systems will be guided by the Clean Energy for Development initiative that features prominently in the Africa Action Plan. Disseminating performance benchmarks for utilities and other service providers will enable objective assessment and improvement in efficiency and responsiveness to consumers. Increased attention to hazard mitigation investments will help begin to address the consequences of global warming.

viii. Narrowing the access, investment and institutional gaps in infrastructure will contribute to a virtuous circle of improvements – in both economic growth and poverty reduction. An increase in IDA resources for infrastructure is proposed from about US\$4.2-4.6 billion per year during IDA-14 to US\$5.3 billion during IDA-15. This 15-20% nominal increase recognizes the competing demands for IDA's scarce resources and would be directed to those regions most in need; US\$3.0 billion would go to Sub-Saharan Africa and US\$1.3 billion would go to South Asia where poverty levels are highest, access to infrastructure services is lowest and domestic resource mobilization capacity most limited.

ix. In recent years, IDA has strengthened the effectiveness of its assistance for infrastructure. Many low-income countries have established sound policies and institutions for providing desperately needed services to poor people. IDA and its partner countries are now well positioned to leverage increased financial and technical assistance into sustainable infrastructure service delivery and improve livelihoods in the world's poorest countries.