

ICED: Infrastructure and Cities for Economic Development

Supporting DFID's next generation of cities and infrastructure initiatives



Infrastructure and Cities for Economic Development (ICED) is DFID's new catalytic, flexible facility designed to accelerate DFID's infrastructure and cities initiatives across the world to contribute to poverty reduction and to resilient, inclusive, and transformative economic growth.

ICED has a pool of advisors ready to assist Country and Regional offices, including researchers, enabling environment policy advisors, infrastructure and urban economic development specialists, as well as resilience, inclusion and DFID programme design experts. ICED can support offices to develop tailored packages of support, from the scoping and design of infrastructure and urban programmes that improve the enabling environment, attract transformative investment into the energy, transport, communications and water sectors, and support improved urban economic development, to rapid technical advice, action research projects and policy briefings from sectoral and cross-cutting experts.



ICED will position DFID as a leading actor in the infrastructure and urban development space by shaping a portfolio of programmes that support cities and infrastructure investment to become engines of sustainable, inclusive growth by;

- Providing programme scoping and design support to DFID Country Offices and Regional Groups
- Providing technical support to shape delivery of existing infrastructure and urban programmes
- Helping to build the evidence for urban and infrastructure programming through rapid technical advice from sector and cross-cutting experts, action research projects, and policy briefings.
- Working with DFID's international partners to promote robust infrastructure and cities initiatives

Why is ICED necessary?

Inadequate infrastructure and the lack of well-planned cities are major constraints to economic and human development in DFID focus countries.

Evidence strongly suggests that urbanisation and increased infrastructure spending are associated with economic growth. The Inclusive Growth Diagnostics (IGDs) identified the lack of infrastructure and effective cities as a key binding constraint to growth across Africa and Asia. Energy and transport have been identified as binding constraints in 90% and 75% of IGDs respectively.

However, infrastructure spending in DFID focus countries is often limited by a lack of financially viable projects and weak institutional and governance arrangements. Furthermore there has been a lack of focus to date on harnessing the potential of cities and urban areas to drive growth and create jobs. Underlying these issues are wider challenges related to the enabling environment for investment in infrastructure and cities.

ICED is designed to address these constraints to growth. It will do so by supporting the competitiveness of urban areas and cities by promoting improved urban, industrial and economic planning and increased municipal and national financing capacity; by encouraging reform and investment to strengthen access to affordable and reliable infrastructure services; and by promoting evidence-based policy making at national and international levels.

In doing so ICED will contribute directly to three of the four strategic objectives of the UK's aid strategy – tackling extreme poverty and helping the most vulnerable; strengthening resilience and response to crises; and promoting global prosperity.

Infrastructure and cities are powerful engines for growth.

Across the world, people are on the move to cities. In developing countries, 1.5 million people are migrating from rural areas to cities every week, with many moving into informal settlements.

Cities are home to half the world's population but generate 80% of global GDP



Cities, even in developing countries, produce more than half of a country's GDP. As people move closer together, they are able to reap significant "agglomeration" benefits. These arise from economies of

scale, reduced travel times, knowledge spill-overs and clusters, and labour pooling and matching effects that promote specialisation. This concentration of economic and cultural activity in cities increases the number of productive interactions between people and businesses, which drive economic development.

Action is needed to capture the opportunity presented by the rapid growth of cities in DFID focus countries to support both national and local economic development.

Mind the (infrastructure) gap. Despite the need for trillions of dollars of investment, there is a large deficit between current levels of investment and what is required. This infrastructure gap stifles economic activity, constraining growth, urban and national competitiveness, and human development. For example, Sub-Saharan African businesses suffer more than eight power outages per month on average, leading to higher costs and lower productivity across the economy.

ICED will help ensure that DFID capitalises on its comparative advantages in infrastructure investment. These include providing nimble, politically informed technical assistance, influencing key international actors and building the evidence base through high quality research.

The link between infrastructure and cities, and inclusive economic growth, is not a given.

Rapid urbanisation often has serious economic, environmental and social side-effects such as traffic congestion, air and waterway pollution, overcrowding, inequality and urban sprawl. Poorly planned and managed cities and infrastructure exclude some groups from socio-economic gains, driving a wedge between the rich and the urban and rural poor. Inclusive growth is achieved when output, productivity and employment all grow in tandem, limiting the rise of inequality.

Energy is the backbone of the productive sectors, and the lack of investment into reliable and affordable energy is consistently cited as a major constraint to investment in DFID focus regions. The lack of affordable and reliable energy has a disproportionate impact on the poorest.

There is a need for better institutions that can deliver productive, resilient and inclusive cities and infrastructure.

Governments in DFID focus countries tend to lack the capacity to plan and manage competitive, productive cities and to deliver economically vital and financially viable infrastructure in a cost-effective manner. They also often lack the capacity to mitigate and adapt to

the effects of climate change. Strong vested interests can undermine reform and the allocation of investments.

ICED has been conceived to help close this gap, by shaping a portfolio of DFID programmes that improve the enabling environment for delivering competitive and productive cities and infrastructure that can become engines of sustainable, inclusive growth.

How will ICED work?

ICED will develop programmes that support productive, competitive cities, that improve the infrastructure enabling environment to attract public and private investment, and that build capacity for strategic sector planning.

ICED can design programmes that promote the development of strong infrastructure enabling environments, build government capacity to plan and finance municipal and infrastructure investments, and improve urban productivity and competitiveness.

ICED will also work closely with other initiatives – including bi-laterals, multilaterals and independent agencies - to avoid duplication and where possible, and to align with and complement their efforts.

ICED will draw on the experience of successful DFID programmes such as the **Nigeria Infrastructure Advisory Facility (NIAF)** across the programme scoping and design, knowledge and global policy outputs. NIAF is an infrastructure reform programme designed to tackle bottlenecks to the infrastructure development needed to spur non-oil growth in Nigeria. It provides demand-led support to government clients related to the power, roads, rail, urban development and infrastructure policy and finance.

A deep awareness of political economy is vital in enabling NIAF interventions to be targeted at areas where change is possible. These lessons will be central to the success of ICED. Key success factors on NIAF include:

- Building and leveraging a strong stakeholder network to monitor changes in political economy
- Effectively balancing potentially competing principles of responsiveness and influencing by working closely with government clients to influence demands for support
- Developing a clear political analysis and engagement strategy to guide NIAF through the political transition

- Maintaining clear theories of change which enable assessment of client demands against NIAF goals
- NIAF's extensive understanding of political economy has enabled it to effectively manage high levels of risk associated with large infrastructure projects.

ICED programmes will promote resilient and inclusive urban growth.

The long term nature of infrastructure and urban investment means that decisions made today will have a lasting impact, making course corrections to include resilience and inclusiveness costly. ICED will integrate considerations of sustainability, resilience, accessibility, resource efficiency, distribution and gender from the outset. Improved economic and climate resilience planning must promote a compact, low-carbon urban form that reduces congestion and pollution. A compact urban form with well-planned public transport accessible to the urban and rural poor enhances access for the poorest and most-marginalised (including women and children) to the economic, social and cultural opportunities of cities.

To promote inclusive growth ICED will support both urban economic development programming which promotes more productive cities that create jobs, and programmes prioritise infrastructure that create increased opportunities for access to productive employment, for example, by increasing power and mass transit coverage.

ICED can also develop programmes focused on improving the governance structures for managing urbanisation and delivering infrastructure.

Governance arrangements and political economy influence which projects are progressed and which are not. As experience with NIAF indicates, decisions are not made purely on technical grounds in most countries, but instead take place in the context of political contention or fragility. As far as is possible, policy should aim to de-politicise the provision of infrastructure and planning for urbanisation.

ICED will focus on developing programmes which embed projects as the vehicle for bringing about sustainable changes to the legal and institutional environments. The delivery of projects to constituents is a key motivator for decision makers. This incentive can be harnessed to drive legal and institutional reforms, build technical capacity and establish prioritisation frameworks, which enable more and better infrastructure projects and urban economic development to be delivered.

How can ICED support you?

ICED has a pool of advisors ready to assist Country and Regional offices – including researchers, policy advisors, infrastructure specialists, and enabling environment, resilience, inclusion and DFID programme design experts. ICED can deliver tailored support packages to DFID teams at any stage of the programme and policy development cycle.



How do I get ICED support?

If you have a question about ICED or would like to know more about how we can help you, contact us at the address below. We have a team of advisers who will answer your questions, listen to your needs and explain how ICED might be able to help.

Technical Lead, Kirsten Jack: iced.programming@uk.pwc.com

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ICED is managed by a PwC-led Alliance that includes Adam Smith International, ARUP, Engineers Against Poverty, the International Institute for Environment and Development, MDY Legal and Social Development Direct.