

**Infrastructure Economics**  
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**Module – 02**  
**Lecture - 06**  
**Infrastructure Finance: Role of International Agencies**

In module 6, we are going to learn basically the Role of International Agencies in Infrastructure development.

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### **Brief Outline**

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- Role of International Agencies
  - Types of International Finance
  - Different International Agencies and its Contribution
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We are also going to discuss briefly about what different types of international finance is available in terms of funding agencies. We will also discuss in brief that, what are basically the major contributions of these international agencies in terms of developing the infrastructure projects across the country.

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## **Role of International Agencies**

- International Donor agencies are an important financial help for Infrastructure Development.
- It provide financial assistance in the form of loans and grants to developing and least developed countries to promote economic and social development through investing in economic and social infrastructure.

So, let me start with the prime role of international agencies in infrastructure development. International agencies, donor agencies are an important financial help for developing the infrastructure because, it provides financial assistance in the form of loans and grants to developing and least developed countries. Through these grants and loans, developing and least developed countries do promote economic and social development.

Because, through investment in economic and social infrastructure, these economies are basically reforming its status of infrastructure not only the physical, but also the social. So, these international agencies are good enough to support the basic needs of the infrastructure development in developing and least developed countries. As we are aware that the major feature of developing and least developed countries are the growth in the population, at the same time dependency on the agriculture and major occupational dependency on the traditional activities such as agriculture and allied sector.

So, as we have discussed in our previous lecture that without breaking the dead-lock in development, it is impossible to achieve further economic growth and infrastructure do play very prominent role in breaking that deadlock. Investment from different international agencies are important to understand here, because more and more we are growing, we are also having unequal distribution of opportunities in terms of employment and in terms of income.

So, we are having the gaps in our development, urban development is more faster than

the rural development and this gap in development is creating a bigger questions for the policy makers, not only in the developing country, but also in least developed countries today, and with past experience in infrastructure development with support from the international agencies, we can also learn that what basically difference we can make what different mechanism we can have to develop the new era of infrastructure in developing country.

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### **Types of International Agencies**

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- ❑ **International Donor Organisations**  
(These include development banks, multilateral and bilateral organisations)
  - ❑ **Private Foundations and Programmes**
  - ❑ **NGOs and Research Institutes**
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So, let me briefly discuss that what are basically the different types of international agencies. The first one is international donor organizations, these includes the development banks, multilateral and bilateral organizations, the second is the private foundations and programs and the third is the non-governmental organization (NGOs) and research institutions.

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### International Donor agencies

Name of the Agency	Key area of finance
<a href="#">The World Bank</a>	infrastructure development, which includes the water and <i>sanitation</i> sector
<a href="#">United Nations Children's Fund (UNICEF)</a>	striving to achieve children's rights
<a href="#">Japan Bank for International Cooperation (JBIC)</a>	economic infrastructure development

So, the first of all when we say international donor agencies we cannot really ignore the contribution of World Bank, because, this is one of the first prominent funding agencies in infrastructure that includes water and sanitation sector. Apart from World Bank, we have to also acknowledge contribution of UNICEF, United Nations' Children's Fund which is striving to achieve children's right across the country today, especially in developing and least developed countries where child rights are facing everyday problem. We have international donor agencies such as Japan Bank of International Cooperation, which includes which basically focus on the economic infrastructure development.

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### International Donor agencies

Name of Agency	Key area of finance
<a href="#">Asian Development Bank (ADB)</a>	management of water resources at all levels
<a href="#">Australian Aid Agency (AUSAID)</a>	water and <i>environmental sanitation</i> .
<a href="#">Danish International Development Agency (DANIDA)</a>	water and <i>sanitation</i>

There are several other donor agencies such as Asian Development Bank, which has the key area of financing management of water resources at all levels, Australian Aid Agency which includes major financing for the water and environmental sanitation, again Danish International Development Agency is looking for water and sanitation related infrastructure projects.

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International Donor agencies	
Name of the Agency	Key area of Finance
<a href="#">Delegation of European Commission (EC)</a>	rural and natural resources development
<a href="#">UK Department for International Development (DfID)</a>	clean water
<a href="#">Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)</a>	protection and sustainability of natural resources including watershed protection and <u>sanitation</u>

Other international developed donor agencies are basically the delegation of European Commission. The major key area of finance is the key and natural resources for development, UK Department for International Development DfID major focus area is clean water and GIZ which has the protection and sustainability of natural resources including watershed protection and sanitation.

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<b>Private Foundations and Programmes</b>	
<b>Names</b>	<b>Key area of Finance</b>
<a href="#">Aga Khan Foundation (AKF)</a>	rural development
<a href="#">Ford Foundation</a>	rural development
<a href="#">Bill and Melinda Gates Foundation</a>	agricultural development, financial services for the poor and <i>emergency</i> relief.

Apart from these donor agencies, international agencies we have, we can also see some of the private foundations and programs such as Aga Khan foundation which is a very much focused for the infrastructure development in rural area, we have Ford foundation looking again for the rural development, we have Bill and Melinda Gates foundation again agricultural development and financial services for the poor and emergency relief in many developing and least developed countries.

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<b>NGOs and Research Institutes</b>	
<b>Names</b>	<b>Key Area of Finance</b>
<a href="#">WaterAid</a>	water and sanitation
<a href="#">Action for Food Production (AFPRO)</a>	<u>land and water management</u>

Some of the NGOs and research institutions I would like highlight here to WaterAid - water and sanitation and Action for Food Production that deals with the land and water management.

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## USAID

- Energy, roads, communication ,water infrastructure, schools and health care facilities are supported and financed by USAID in more than 60 nations
- Special stress is placed on construction and rehabilitation of infrastructure in conflict and disaster-affected countries including Afghanistan, Pakistan and Haiti. Read More :<http://www.usaid.gov/what-we-do/economic-growth-and-trade/infrastructure>

We cannot ignore to discuss here the contribution of USAID which is one of the older donor agencies for many developing country today. Energy, roads, communication, water infrastructure, schools, health care facilities are supported and financed by the USAID in more than 60 nations today. A special focus is again placed on the construction and rehabilitation of infrastructure in the conflict and disaster affected countries some of the examples one can see today is in Afghanistan, Pakistan and Haiti.

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## AfDB

- African Development Bank Group was founded in 1964
- It is a multilateral development finance institution

Broad objectives:



- Reduce Poverty
- Promote Economic and Social development in Africa
- Infrastructure Financing and Regional Integration

❖ AfDB has approved over 4,501 projects amounting to US \$118.7 billion from 1967 -2013

When we say some other international agencies, we can also see here the African Development Bank group which was founded in 1964, it is a multilateral development financial institutions, which has the broad objective such as the poverty reduction,

promoting economic and social development in Africa, infrastructure financing and regional integration. And one can be very much surprised to see that this African Development Bank has approved over 4501 projects amounting to dollar 118.7 billion from 1967 to 2013.

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- ❑ Asian Development Bank (ADB) was established in 1966 with its headquarters in Manila
- ❑ With a view to alleviate poverty and share the benefits of sustained and inclusive growth
- ❑ ADB supports its members through Investment in Infrastructure, health care, financial and public administration systems.

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Apart from this, especially in Asian infrastructure development program, we cannot really ignore the contribution of Asian Development Bank, which was established in 1966 with its headquarters in Manila with a view to alleviate poverty and share the benefits of sustained and inclusive growth. Asian Development Bank is constantly working hard to support various infrastructure projects in Asian countries. It has supported its member through investment in infrastructure, health care, financial and public administration system.



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## ADB

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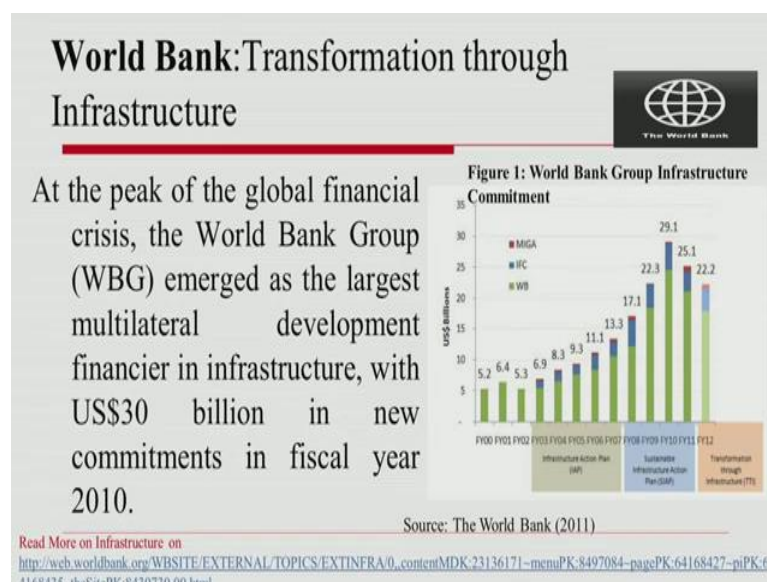
**Table 1: ADB's Ongoing Assistance to India (as on July, 2013)**

Sector	No. of Loans	USD M	%
Agriculture, Environment, Natural Resources	6	263.0	2.8
Energy	25	3621.2	38.2
Finance	6	940.0	9.9
Transport and Communications	12	2661.0	28.0
Urban Development and Multi-Sector	23	2004.2	21.1
<b>Total</b>	<b>72</b>	<b>9489.4</b>	<b>100.0</b>

Source: ADB (2013)

One can see here the ADB ongoing assistance to India as on July 2013. The major portion of ADB support is in the field of energy and transport and communication. The energy alone contributes around 38 percent of the ADB funding in India while transport and communication is the second rank in terms of achieving in terms of getting loan from ADB and which contributes the 28 percent of the total assistance received by ADB in India.

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So, this shows that how one of the countries like India is getting advantage for infrastructure development from some of the international agencies, like ADB. One can also see here the World Bank which has again a major source of infrastructure funding in

last many decades, but we should not ignore the fact that even at the peak of the global financial crisis, the World Bank Group (WBG) emerged as the largest multilateral development financier in infrastructure with 30 billion US dollar in new commitments in fiscal year 2010.

And this is the peak if one can see this diagram comparing financial year 2002 to 2012, one can find out that during the crisis period in 2010, it was one of the highest commitment by the World Bank for the infrastructure and that shows that how international agencies, like International Bank for Re-construction and Development which is also named as the World Bank is constantly helping infrastructure projects at the global level.

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### **BRICS Bank: New Initiative**

- Members of BRICS have approved in March 2013 (5th BRICS summit) for the creation of New Development Bank (NDB) to fund long-run infrastructure investments and sustainable development in developing and emerging economies. Authorized capital-\$100 billion.
- Initial Capital -\$ 50 billion, each member will contribute \$ 10 billion.

Let me also see here discuss the BRICS bank which is one of the new initiative by the members of the BRICS countries Brazil, Russia, India, China, South Africa which has approved in March 2013, the fifth BRICS summit for the creation of the new development bank to fund long term infrastructure investment and sustainable development in developing and emerging economies with the authorized capital of 100 billion dollar initial capital is 50 billion and each member will contribute 10 billion.

So, this is one of the new initiative and we will find here that at the regional level also within Asia at the regional level, also, there is a cooperation going on for the infrastructure development and it is in the mind of every government in Asia, especially in South Asian countries that we have to have a proper coordination for the infrastructure

development. Because, these countries have realized with the current experiences from the European Union that if the country is more connected through the infrastructure facilities, they can get major benefits in terms of manufacturing or in terms of production of other agro based industry and sharing the benefits of economic development from one part to other part.

Today, I was reading the World Bank report today and it shows that India is still one of the country where, the highest number of people is available which is without electricity in the world; China is the second one, Bangladesh is the third one. So, that shows that how poor in terms of the basic facilities like electricity getting electricity is not luxury today it should not be treated as luxury today. So, how poor we are in terms of basic infrastructures facilities which a country should achieve long time back and even some of the countries are still struggling to achieve that target.

Statistics shows that only 26 percent of Indian population is able to receive proper electricity and that is really one of the shocking news for the huge population of this country. And we whatever growth targets we are having and whatever growth we are going to achieve, but at the same time we are one of the nation in the world which has lowest consumption of electricity and majority of the population is still far away from getting the electricity. That is one of the challenges for the development in terms of electricity generation and distribution in India.

And that is the challenge of the infrastructure development companies, especially electricity generation companies in India in coming years. So, the new initiatives like BRICS or the support from the ADB or the support from the World Bank is really required at this juncture. Because, initial international donor agencies, non-governmental organizations, private funding agencies, they are all equally important for coming out from the vicious trap of the infrastructure; vicious trap of low infrastructure or one can say no infrastructure to have a very new level of infrastructure. So, one of the, in terms of the social infrastructure, one cannot really ignore the contribution of UNICEF as a partner in India.

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## UNICEF as a partner in India

UNICEF aims is to continue

- As an active partner of the Government in striving to achieve children's rights in India.
- Promoting Faster, Sustainable and More Inclusive Growth
- Effective and equitable by taking informed decisions so as to reach the most marginalized and the vulnerable.

Read more : <http://unicef.in/WhoWeAre/IndiaCountryProgramme#sthash.mU5RGmnQ.dpuf>

UNICEF is still aiming to continue as one of the active partner of the Government in striving to achieve children's rights in India. India is again blamed as one of the major country in terms of having the child labor and a country which is really struggling hard to stop the child rights and child abuse. So, majority of the actions has been taken by the UNICEF which is promoting the faster sustainable and more inclusive growth supporting the state governments, supporting the central government not only with the fund, but also providing advice how to come out from the vicious circle of poverty, illiteracy, poor health condition and effective and equitable growth process taking care of the informed decisions, so as to reach the most marginalized and vulnerable section of this country. So, we cannot really say that it is the only one agency UNICEF, but again WHO the immunization program which is going on especially the success of the pulse polio program in India is one of the remarkable achievement for the world.

And there are certain targets which India has to achieve and many other developing countries have to achieve as the part of the millennium development goal. World Bank is constantly helping us and many other international agencies are constantly helping us in getting the safe drinking water, which is again one of the bigger targets for a populated country like India and China.

So, with this discussion I would like to again conclude this fact that international agencies whether it is the international bank, such as the World Bank or ADB or the donor agencies, such as the Ford Foundation or the Aga Khan Foundation or Melinda Gates foundation or UNICEF or WHO, these agencies are not only looking for the

economic infrastructure, but, they are also looking for the social infrastructure and any developing country and least developed country, today, if they have to really if they have to break down the vicious circle of poverty or if they have to really expand the size of the market, if they have to really reorganize the economic structure, if they have to really come out from the traditional occupation to the modern occupation, they have to work upon the infrastructure development.

Development today achieving the new targets in growth is impossible without having a new set of infrastructure and it is proved throughout the world not only in one country, but, majority of the newly industrialized countries and developed countries has proved it that it is only the infrastructure which makes the change in the infrastructure of the economy, nothing except infrastructure is going to lead us. So, with this conclusion, I would like to finish this module 6, will have some more discussion on infrastructure economics which will be related to various other aspects of this particular subject in the next module.

Thank you.