Independent Commission for Aid Impact

ICAI follow-up of: DFID's approach to supporting inclusive growth in Africa

A summary of ICAI's full follow-up review

June 2018

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Executive summary

ICAI's follow-up review is an important element in the scrutiny process for UK aid. It provides the International Development Committee and the public with an account of how well the government has responded to ICAI's recommendations to improve spending. It is also an opportunity for ICAI to identify issues and challenges facing the UK aid programme now and in the future, which in turn helps to inform subsequent reviews.

This document is a summary which focuses only on the results of our follow up of DFID's approach to supporting inclusive growth in Africa. The full follow-up report of all our 2016-17 reviews, including overall conclusions from the process and details of our methodology, can be found on our website.

Findings

DFID's approach to supporting inclusive growth in Africa

In recent years, DFID has dramatically increased its investment on economic development, with its portfolio doubling from £934 million in 2011-12 to £1.8 billion in 2015-16. Our review focused on whether the department had a credible approach to promoting inclusive growth (growth that benefits all) in Africa. We welcomed DFID's increased level of ambition towards creating jobs through economic transformation, and awarded it a green-amber score for its overall approach. However, we pointed out some substantial challenges that still needed to be addressed, to ensure that its programmes were adapted to each national context and focused on achieving sustainable poverty reduction, including for marginalised groups. We made four recommendations, outlined in Table 1.

Table 1: Summary of the government's response to ICAI recommendations

ICAI recommendation	Govt's initial response	Our assessment of progress since then	
		By recommendation	Overall
DFID's approach to supporting inclusive growth in Africa, June 2017			
Use diagnostic and planning tools to prioritise investments into areas most likely to contribute to transformative growth.	Accept	DFID informs us it is taking ICAI's recommendation into consideration as part of its current process of updating its diagnostic tools.	**A mixed response**
More guidance on balancing investment in long-term structural change and supporting livelihoods for the poor.	Partially accept	DFID prefers to let country offices decide on the sequencing and balance between economic growth and social inclusion programmes.	
Prioritise learning on how to combine politically smart and technically sound approaches to economic development.	Accept	The new diagnostic tools will include more detail on political economy. A number of research programmes are underway, designed to generate a better understanding of which institutions matter for economic growth.	
Address the exclusion of women, young people and marginalised groups in programme designs and results frameworks.	Accept	DFID is beginning a drive to disaggregate its results data and the new diagnostics will have 'inclusion' as one of their pillars. However, no specific measures have been taken to improve the monitoring of distributional impacts.	

Diagnostic and planning tools for investment into transformative growth

While we welcomed the ambition in DFID's Economic Development Strategy (January 2017) towards promoting structural economic change, we found that it did not offer clear guidance to country offices on how to prioritise their interventions. To avoid the risk of resources being spread too thinly for strategic impact, the review recommended that DFID's diagnostic and planning tools encourage country offices to prioritise their investments in economic development, based on DFID's comparative advantage alongside other development actors.

ICAI's recommendation has been taken into account in DFID's ongoing work to develop its next iteration of diagnostic tools. However, there was little engagement from DFID with our recommendation that prioritisation decisions should take more account of DFID's comparative advantage relative to other development actors.

While it is too soon to know whether these improved diagnostics will, in fact, drive a more targeted approach to economic development programming, we found the work done so far on preparing the diagnostic to be sound, with the potential to address a number of issues raised in our report.

Balancing long-term structural change with supporting livelihoods for the poor

We welcomed the new focus on economic transformation and job creation, but noted that it should not come at the expense of supporting the development of livelihoods for the poorest – particularly in countries where large-scale industrial development is still some way off. We therefore recommended that "DFID should provide more guidance on how to build a portfolio that balances investments in long-term structural change and job creation with programming to increase incomes for the poor in existing livelihood areas, taking into consideration the time required for economic transformation in each country context".

While DFID partially accepted the recommendation, it has not yet identified any concrete actions to address it. Ongoing work on results measurement in the economic development portfolio should provide a stronger evidence base for balancing country programmes. However, DFID has not committed to developing any new guidance in this area, preferring to let country offices make their own decisions on sequencing and balance.

Politically smart and technically sound approaches to economic development

The review found weaknesses in DFID's use of political economy analysis in its growth diagnostics, partly due to a lack of strong engagement by governance specialists. We recommended that, "[r]ecognising the centrality of the state to economic transformation alongside the private sector, DFID should prioritise learning on how to combine politically smart and technically sound approaches to economic development".

There has been good engagement with this recommendation, at both central and country level. DFID is developing a new diagnostic which takes a cross-disciplinary approach and will include both governance and political economy components. In addition, the centrally managed research programme Economic Development for Institutions (£15 million from 2014 to 2020) is developing an analytical tool to assess which institutions have the greatest payoff for economic growth. As this work is ongoing, we are not yet able to assess its quality, but it should help DFID to develop more effective strategies for promoting economic transformation, particularly in countries where political conditions are not conducive.

Addressing the exclusion of women, young people and marginalised groups

While DFID's Economic Development Strategy contains strong commitments on inclusion, we found that country offices were unclear about their implications for individual economic development programmes. The programmes covered by our review had not clearly identified which marginalised groups to target and how, and their monitoring arrangements were not tracking distributional issues (that is, who benefits and who is excluded). We therefore recommended that "DFID should ensure that, in each of its partner countries, opportunities for addressing the exclusion of women, young people and marginalised groups are identified and built into programme designs and results frameworks wherever feasible, and that distributional impacts (whether intended or unintended) of its programming are routinely monitored and assessed".

DFID is carrying out work to improve its analysis of distributional impacts and inclusion, and to map social policy in partner countries in order to better understand national-level commitments to addressing inclusion. DFID has also issued new internal guidance on equity in value for money assessments, which emphasises that it is legitimate to target marginalised groups even if this results in higher unit costs. As part of its wider 'leave no one behind' commitment, DFID has also begun to disaggregate results data by sex, age, disability status and geography. This is an important first step, in that it will help determine if interventions reach marginalised groups, but it is not sufficient for monitoring distribution impacts or obligations to ensure programmes do not cause unintended harm.

DFID is yet to come up with a clear approach for addressing inclusion in economic development programmes. But in all three of the case study countries for this review, practical efforts have been made to act on our recommendation and bring a stronger inclusion focus into programming.

Conclusion

We are pleased that DFID has taken account of our recommendations in the development of its diagnostics, which will address both inclusion and political economy issues. However, there has been no new guidance or other concrete action to ensure that inclusion is addressed at both country portfolio and programme level. As a result, we are not yet confident that DFID is in a position to achieve the commitments in its Economic Development Strategy to reaching women, young people and marginalised groups. We will therefore revisit the issue of inclusion in next year's follow-up review.

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This document can be downloaded from www.icai.independent.gov.uk

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