

ICAI follow-up: DFID's transport and urban infrastructure investments

A summary
July 2020

The Independent Commission for Aid Impact works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of government, reporting to Parliament, and our mandate covers all UK official development assistance.

Individual review scores and what they mean



An adequate score means:

- Enough progress has been made in the right areas and in a sufficiently timely manner in order to address the core concerns underpinning ICAI's recommendations.



An inadequate score results from one or more of the following three factors:

- Too little has been done to address ICAI's recommendations in core areas of concern (the response is inadequate in scope).
- Actions have been taken, but they do not cover the main concerns we had when we made the recommendations (the response is insufficiently relevant).
- Actions may be relevant, but implementation has been too slow and we are not able to judge their effectiveness (the response is insufficiently implemented).

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Executive summary

ICAI's follow-up review is an important element in the scrutiny process for UK aid. It provides parliament 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 year, for the first time, we introduced a scoring element to the follow-up exercises. For each of the reviews we follow up, we provide a score of adequate or inadequate, illustrated by a tick or a cross.

This document is a summary focused only on the results of the follow-up of our review of the Department for International Development's (DFID) transport and urban infrastructure investments. The full follow-up report of all our 2018-19 reviews, including overall conclusions from the process and details of our methodology and scoring, can be found on our website.

Findings

DFID's transport and urban infrastructure investments

DFID has made notable progress on all of ICAI's recommendations, despite stretched human resources. While much remains work in progress, the direction of travel is largely positive.



ICAI published its review of DFID's transport and urban infrastructure investments in October 2018. The review was scored green-amber, acknowledging DFID's good performance on strategic approach and supporting multilateral finance, but noted a mixed record in the delivery of bilateral programmes. It also raised concerns about multilateral oversight and highlighted challenges in engaging China on infrastructure. The review made four recommendations.

Table 1: ICAI's recommendations and the government response

Subject of recommendation	Government response
In the continuing development of its infrastructure strategy and guidance, DFID should address the need for the following: <ul style="list-style-type: none">• a more rigorous approach to project selection and clear expectations around economic analysis, with a range of tools and approaches• a strong focus on identifying and addressing governance and market failures that inhibit sustainable infrastructure development• realistic timetables and how to manage investments lasting beyond a single programme cycle• stronger programme supervision and risk management processes• a more systematic approach to enhancing impact on poverty reduction and ensuring the inclusion of women, people with disabilities and marginalised groups, including monitoring intended and unintended impacts on target groups.	Accepted
When funding infrastructure through multilateral partners, DFID should ensure that there are adequate safeguarding systems and the capacity to implement them in place at country level (including in national counterpart agencies), and verify that this remains the case throughout the life of the programme.	Accepted

To improve its ability to manage complex transport and urban infrastructure programmes, DFID should make more use of staff from regional departments and centrally managed programmes to supplement capacity in country offices. This might include deploying additional experts during the design and inception phases of new programmes, to help build working relationships with national stakeholders, and providing ‘over the horizon’ support throughout the life of the programme on issues such as land acquisition and safeguarding.	Accepted
DFID should clarify how it will work with China and other new donors on infrastructure finance, and prioritise helping partner countries become more informed consumers of infrastructure finance.	Partially accepted

Recommendation 1: Strengthen project selection, analysis, supervision and risk management. Address governance and market failure, unrealistic project timeframes, and poverty and inclusion

The ICAI review highlighted a range of concerns about DFID infrastructure projects, including the varied depth and quality of economic analysis in business cases, inconsistent approaches to supervision, risk and analysis of infrastructure deficits and their causes, unrealistic assumptions about implementation timelines and partner capacity, and limited emphasis on targeting poor communities. DFID accepted the recommendation addressing these issues and has pursued a number of actions to improve the analytics and guidance underpinning project selection.

DFID is in the final stages of producing a SMART guide on infrastructure and has strengthened its guidance for investment decisions in the Overseas Territories. However, we found little progress in improving the economic appraisal of projects.

DFID has recently concluded work on an urban handbook, providing guidance on how to respond to governance and market failure issues that constrain infrastructure projects. DFID also noted that the delayed successor to the Infrastructure Cities and Economic Development Facility will include a focus on issues such as inadequate infrastructure governance, policy and planning.

A new seven-year land programme has recently been approved. However, judged on the basis of recent projects approved by DFID, five-year funding cycles remain the norm. This is despite the fact that major infrastructure projects generally require a longer implementation period due to their complexity and the demands of processes such as local consultation.¹

A stronger approach to addressing inclusion in infrastructure programmes has emerged since ICAI’s review. DFID’s new disability helpdesk has been active in responding to requests for support from infrastructure projects and the reorganisation of the Private Infrastructure Development Group (PIDG) has helped strengthen DFID’s emphasis on gender and safeguarding.

Recommendation 2: Strengthen oversight of safeguarding policy and practice by multilaterals

A significant share of UK aid for infrastructure is overseen by multilateral organisations. ICAI’s review was concerned that multilateral partners often lacked adequate environmental and social safeguard systems at the national level, and that DFID had not worked actively at the country level to improve their application. DFID accepted the recommendation, but stated it was already implementing a range of measures dealing with ICAI’s concern.

DFID remains engaged in supporting the implementation of the World Bank’s new Social and Environmental Framework, which the department was influential in developing. However, we did not see evidence that it has enhanced its role in monitoring the capacity of multilaterals at central levels to implement safeguards.

Since the ICAI review, DFID has developed new guidance for staff working with multilaterals, which aims to ensure that they consider the adequacy of safeguarding standards and procedures as part of their decision to support (or continue supporting) trust funds managed by multilaterals. While we welcome this guidance, its application is too limited: using the guidance is voluntary, and it provides limited advice on how and what due diligence should be carried out.

1 The original ICAI review identified a programme for which the process of local consultation had been truncated because of time pressures in delivery.

DFID has worked actively with multilaterals to strengthen their safeguarding policies against sexual abuse, exploitation and sexual harassment, through its organisation of the October 2018 Safeguarding Summit and its follow-up process. DFID's Safeguarding Unit has worked with infrastructure advisers to develop a technical tool to identify and mitigate safeguarding risks in infrastructure programmes.

Recommendation 3: Make more use of central expertise to support country-level infrastructure programmes

The ICAI review identified concerns about whether capacity from DFID regional departments and centrally managed programmes was being adequately utilised to support challenging country-level programmes. DFID accepted the recommendation to address these issues, but did not identify any new measures to act on it.

DFID's infrastructure cadre have been stretched over the past year, due to some staff being reassigned to the Africa Investment Summit and the UK's Infrastructure Commission or redeployed to other departments to support Brexit planning. However, in response to long-term staffing constraints, DFID has recently appointed three new senior regional infrastructure advisers as a result of the UK's Africa strategy.

Since the ICAI review, the Head of Profession has also been preparing a staff competency framework and a process for monitoring competencies across the cadre, so as to better address gaps in expertise and knowledge through future recruitment. In essence, DFID has continued to try to maximise the impact of its relatively few staff.

Recommendation 4: Engage more effectively to ensure partner countries benefit from infrastructure investments made by China and other emerging donors

The ICAI review noted that the rise of emerging economies as major infrastructure investors has created both opportunities and risks for developing countries. DFID partially accepted the recommendation to engage more actively with China and partner countries to ensure that risks are mitigated and opportunities pursued.

Information shared by the UK government during the follow-up exercise shows that collaborations with China on infrastructure development issues are expanding, both through international forums (such as the G20 and the Asian Infrastructure Investment Bank) and country-level activities (especially in East Africa and through PIDG). For example, in October 2019, DFID supported an initiative where the British Chamber of Commerce for Kenya, the Kenya-China Economic Trade Association and the Kenya Private Sector Alliance signed a memorandum of understanding to stimulate investments in strategic sectors like infrastructure.

However, there is limited information on the substance of these collaborations with China and little analysis of how such collaborations support country partners and development outcomes. DFID and the broader UK government have a multifaceted and evolving relationship with China. Since China's Belt and Road Initiative is so prominent in many of DFID's priority countries, there is an ongoing need to carefully monitor potential trade-offs between commercial, trade and developmental interests at policy, influencing and programme levels.

Conclusion

DFID's work on infrastructure faces significant challenges, due to its complex nature and stretched human resources. Within this context, many improvements have taken place since the publication of ICAI's review in 2018. DFID has been developing increasingly sophisticated approaches to programme design and delivery. New guidance material and tools have helped the department manage infrastructure programme challenges, including ensuring consideration of the impact of its infrastructure investments on the poorest and most vulnerable.

However, efforts to improve economic appraisal of projects have been limited. Gaps remain in the guidance material available, and sustainability of results is a concern due to limited project timeframes and delays in initiating successors to major centrally managed programmes. We also found an ongoing need to carefully monitor potential trade-offs between commercial, trade and development interests in engaging China on infrastructure cooperation.



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For information about this report or general enquiries about ICAI and its work,
please contact:

Independent Commission for Aid Impact
Wales Office
Gwydyr House
Whitehall
London SW1A 2AU
020 7270 6736

enquiries@icaei.independent.gov.uk