



DFID Response

23 November 2018

DFID Response to the Independent Commission for Aid Impact recommendations on: DFID's transport and urban infrastructure investments, October 2018

DFID welcomes this Independent Commission for Aid Impact (ICAI) report and its recommendations. Transport and urban infrastructure are key ingredients for economic growth and poverty reduction, and ICAI recognised that at present, investment in transport and urban infrastructure in developing countries falls well below the level required to support economic growth and achieve the Sustainable Development Goals.

We welcome ICAI's view that we are achieving good performance on our strategic approach, and supporting multilateral finance. We also welcome ICAI's recognition of our clear understanding of our comparative advantage within the sector, including the provision of technical assistance and policy advice, and our flexible use of grants to leverage other sources of funding.

Recommendation 1: In the continuing development of its infrastructure strategy and guidance, DFID should address the need for the following:

- i. a more rigorous approach to project selection and clear expectations around economic analysis, with a range of tools and approaches
- ii. a strong focus on identifying and addressing governance and market failures that inhibit sustainable infrastructure development
- iii. realistic timetables and how to manage investments lasting beyond a single programme cycle
- iv. stronger programme supervision and risk management processes
- v. 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.

Accept

We agree that our approach to project selection should set out clear expectations around economic analysis. DFID's Quality Assurance Unit reviews major business cases and the rigour of their economic and other specialist analysis, with these reviews approved by the DFID Chief or Deputy Chief Economist. We agree that economic analysis is most useful when key assumptions are verified throughout the life of the

programme. In many cases, specific infrastructure investments will be identified as programmes are implemented, with more detailed analysis will be undertaken later in the programme cycle.

DFID programmes strive to understand the local political, economic and operational environment within which we work. Advisors undertake bespoke training and use political economy analysis techniques to address governance challenges and market failures. Local considerations have been reflected within the design and delivery of the programmes included within the review.

We agree that realistic timetables are vital for effective infrastructure project delivery. A number of transport programmes, including the Rural Access Programme in Nepal, and CrossRoads in Uganda, operated for longer than average project lengths and achieved significant results. We will review these successful programmes to identify transferable lessons.

We agree that appropriate programme supervision and risk management processes are crucial to effectively deliver projects, and DFID is constantly looking for ways to strengthen our systems in this regard. To this end, DFID's infrastructure cadre are developing new internal guidance on infrastructure to clearly set out expectations and provide practical guidance for bilateral programmes which include physical infrastructure components.

Leaving no one behind, the importance of inclusion and the economic empowerment of marginalised groups are central to our Economic Development Strategy. We work with our partners and engage with multilateral organisations to ensure that our programmes are able to support the poorest and most marginalised groups. One example is our research work with the Global Road Safety Facility, where during our position as chair we increased funding to low-income countries from under 50% to 90% within two years. The Private Infrastructure Development Group (PIDG) is currently developing a gender and inclusion framework to help them assess the appropriate level of ambition they should apply to each project they invest in. We agree that there could be opportunities to learn from these successful programmes.

We are also taking forward work on inclusive infrastructure following the Disability Summit in July 2018, and over three quarters of the DFID's infrastructure advisors completed professional development training on inclusion in the past twelve months.

Recommendation 2: 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.

Accept (already partially addressed)

We agree that it is essential for programmes and partners to have adequate safeguarding systems and the appropriate capacity to implement them. We do not interpret this recommendation, however, as applying to projects financed through the core funding DFID provides to the multilateral development banks (MDBs), where we will instead continue to use our influence at a corporate level, through our position as a shareholder, to encourage the MDBs to consistently apply their safeguards policies. For example, DFID was closely involved in shaping the World Bank's new Environmental and Social Framework.

For programmes implemented through non-core funding to multilateral partners, the DFID Senior Responsible Owner (programme lead) is responsible for ensuring that partners have appropriate systems in place. DFID infrastructure advisers working on

infrastructure programmes funded through certain multilateral partners are required to be familiar with the safeguards, grievance mechanisms and implementation capabilities and processes in place; and include safeguard monitoring in their trust fund monitoring agreement where possible. They may insist on building government capacity to deliver safeguards if necessary.

DFID infrastructure advisors are working with the International Financial Institutions Department to update internal guidance for DFID advisors working with the World Bank, Asian Development Bank, and African Development Bank.

Recommendation 3: 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.

Accept

We recognise the importance of sector expertise in supporting the design and delivery of programmes in country offices. All UK-based infrastructure advisors contribute approximately 10% of their time each year to provide support to country offices or specific programmes. This has the joint benefit of both supporting complex programmes and sharing knowledge throughout the advisory group.

Through the centrally managed programme Cities and Infrastructure for Growth we have developed a jointly managed programme model with DFID Burma, Uganda and Zambia and have placed three regional advisers in each office, to both oversee the programme, and provide infrastructure expertise in country.

The centrally managed Infrastructure and Cities for Economic Development programme supports DFID country offices and central teams to implement the Economic Development Strategy through effective design of new programmes, and helping increase the impact of existing programmes, through deploying experts from a central pool. We are also developing options for a new centrally-managed infrastructure programme on infrastructure and cities.

Recommendation 4: 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 Accept

We agree that we should clarify how we will work with China and other new donors on infrastructure finance. We share ICAI’s view that China and other new donors are playing an increasingly significant role in the global infrastructure sector and we need to ensure that our contributions are appropriately co-ordinated and amplify overall impacts.

Many of our country office-led and centrally managed programmes already include support to partner governments to assist them in making informed decisions on infrastructure finance and project preparation, design and implementation. We are also engaging directly with China and new donors on infrastructure finance, including through the G20 (working with the HM Treasury), the Global Infrastructure Hub, and through the Private Infrastructure Development Group (PIDG). Further work at global, regional, and national level will deepen the focus on infrastructure quality, transparency and co-ordination. New specific work with China and others will focus on the

development of technical assistance platforms through International Financial Institutions focused on project selection, design and implementation issues.