



House of Commons  
International Development  
Committee

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**DFID's bilateral  
programme of  
assistance to India**

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**Third Report of Session 2004–05**

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## The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for International Development and its associated public bodies.

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### Committee staff

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### Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the page number as in 'Ev 12'

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## Summary

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Three hundred and fifty million of India's 1.1 billion people live on less than one US dollar a day. If the Millennium Development Goals are to be met by 2015, considerable progress on poverty alleviation will have to be made in India. It is possible therefore, to argue that any money spent on poverty alleviation in India by the Department for International Development (DFID), is money well spent. DFID's assistance to India is the UK's largest bilateral programme to any single country. The programme's expenditure was £200 m. in 2003/4, and is planned to rise to £300 m. per annum in the medium term.

But India's needs are such that even £300 m. per annum will only make a comparatively small impact on social and developmental indicators. For this reason, under Clare Short's leadership, DFID decided to focus the UK's bilateral assistance on four states: West Bengal, Orissa, Andhra Pradesh and Madhya Pradesh. These states were seen as reformers, seeking to improve their delivery of public services, where partnership with DFID could bring about more rapid and effective reforms.

Since that decision was made, a new government has been elected in India. This government is reluctant to allow foreign donors to determine which States in the Union are doing well or badly, and which should be awarded development assistance. The new government has taken the pragmatic decision to allow DFID's existing programmes with its four partner States to run their course. The current phases of these partner-State programmes will be completed between 2007 and 2010. It is unlikely that DFID will enter into any new partnership arrangements with new states. Once the existing partnership agreements have run their course, it seems probable that the Government of India will expect DFID to contribute solely to central government development initiatives.

To some extent this shift is already happening. The GoI is directing DFID strongly in the direction of support to centrally sponsored schemes. In line with this, DFID is significantly increasing the budget of its National Programme, increasing its funding to sectors including HIV/AIDS and education. Illiteracy rates in India are high, and supporting primary education is worthwhile. Likewise, India faces a serious challenge in tackling the impact of HIV/AIDS. Money spent on both these campaigns will be of assistance. But we have not seen sufficient justification for this shift from DFID. DFID does not appear to have developed adequate mechanisms for measuring the impact which they have on CSSs. When working at a central level DFID suffers from a lack of leverage, difficulties in tracking money trails and problems in determining outcomes. DFID needs to improve its monitoring, and demonstrate to external observers that it is doing so.

Before undertaking such major budget reallocations, the Department needs to be clearer about its overall strategy in India. Two questions remain to be asked: could that money be better spent by DFID in programmes elsewhere; and, is it possible to be confident that the money being given by DFID to central government programmes is providing additional spending in these areas, and not simply substituting for central Government contributions? During our visit, the Committee met India's Minister of Finance, who expressed his appreciation for the support which the UK Government is giving to the centrally sponsored schemes. It was clear, however, that the money committed by the UK constitutes a comparatively small percentage of their total budgets.

According to current predictions of growth in India's economy, India is likely to become a Middle Income Country (MIC) during the next ten years, by which time its eligibility for further UK development assistance will be reduced. DFID needs to start thinking now about when and why it might decide to taper its India programme, assuming of course that the GoI's own policy decisions do not pre-empt this decision. At the level of central government, the extent to which India wishes to be a partner for development with bilateral donors such as the UK seems questionable. If one were to take the approach of the central government to its logical conclusion, it would be possible to argue that DFID's team in India could eventually be reduced to simply two or three people to write and deliver the budgetary support cheques to the Ministry of Finance. But at state and district level, and within the specific sector programmes with which DFID is involved, DFID's expertise and innovation continues to be highly valued.

It was clear to us that DFID's work in India is much appreciated for its professionalism, programme design and input. In many instances it provides other organisations with the capacity to run poverty reducing programmes, and programmes promoting social inclusion. That raises the question of whether DFID, rather than committing sizeable amounts of money to central government support, should not be concentrating on developing capacity in India within the Civil Service and elsewhere to enable India to deliver such programmes with confidence once it becomes an MIC.

Although the GoI has to a significant extent frustrated DFID's attempts to work through civil society, this work is of considerable pro-poor value, and DFID should persist with it. We were convinced by arguments that DFID adds the most value in India through its innovation, research, technical advice and demonstration projects. DFID should concentrate on this developing this strength. DFID has made changes to its management practices in India, but the Department needs to be much more transparent about its choices, disclosing information about the trade-offs associated with the decisions it takes.

DFID also has a valuable role to play in drawing the Government of India's attention to socially-excluded groups and maintaining a focus on those Millennium Development Goals on which India remains off-track. Since DFID's approach in India is now unique among bilateral donors, there is a greater need for DFID to justify its programme design. Yet DFID lacks a coherent concept of where its strategic focus should lie in

India. As India develops, DFID needs to revisit continually its rationale for being there. The issues of value for money and monitoring should be key in making the case.

In light of the GoI's increasing reluctance to accept international development assistance, DFID needs to plan its involvement in India strategically, maintaining flexibility within its strategy. Although we found much to commend in the individual projects and programmes in which DFID is engaged, we found a lack of an overall, strategic approach to this work – a very significant issue given the size of the India programme and its cost to the UK taxpayer.

DFID has mainly concerned itself with reducing income poverty in India. We believe DFID ought to reorient its objectives to make inequality and social exclusion central objectives of its work. DFID's policies discuss the importance of reaching socially excluded groups, but policy narratives are not sufficient. What is needed are ways to ensure these groups are reached in practice. DFID needs to find ways of working with government that ensure a focus on socially excluded groups and to ensure the pro-poor impact of its work.



# 1 Introduction

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1. The Department for International Development's (DFID's) assistance to India is the UK's largest bilateral programme to any single country. The programme's expenditure was £200 m. in the financial year 2003/4, and its budget is planned to rise to £300 m. per annum in the medium term. DFID is currently developing its India Country Assistance Plan (CAP) for the period 2008 to 2013. Over the last twenty years, India has achieved a sustained rate of economic growth of about 4% per annum in per capita terms, and this has contributed to a marked reduction in the proportion of people living in absolute poverty.<sup>1</sup> The country is now moving towards middle-income status.<sup>2</sup> In recent years, India's growing global ambitions and changing vision of its place in the world have made its governments increasingly tired of being cast in the role of aid recipient. In June 2003, the National Democratic Alliance (NDA) government, led by the Bharatiya Janata Party (BJP), asked all but six bilateral donors to withdraw their assistance, and announced the expansion of India's own overseas assistance programme.<sup>3</sup>

2. In light of these changes, the International Development Committee decided that this would be an opportune moment to undertake an inquiry into DFID's bilateral programme of assistance to India. The purpose of the inquiry was to examine the nature and scale of DFID's India programme, and to evaluate its various components. In March 2004, we invited individuals and organisations with relevant experience and expertise to provide us with written evidence relating to the inquiry. Eleven written submissions were received.

3. We conducted four oral evidence sessions. On 15 June we took evidence from Dr Michael Lipton CMG and Professor James Manor from the University of Sussex, Mr John Grimond and Mr Christopher Lockwood from *The Economist*, and Mr David Loyn from the BBC. On 5 July we took evidence from Dr Charlotte Seymour-Smith, Head of DFID in India, Mrs Aruna Bagchee, Senior Governance Adviser, for DFID in India, and Mr Jeremy Clarke, Chief of Regional Policy and Strategy at DFID in the UK. On 15 September we took evidence from Dr Mark Robinson from the University of Sussex, Dr Rathin Roy, Development Economist, Professor John Farrington from the Overseas Development Institute (ODI), and Dr Caroline Dyer from the University of Leeds. On 7 December we took evidence from the Rt. Hon. Hilary Benn, Secretary of State for International Development, and, for the second time from Dr Charlotte Seymour-Smith.

4. In October 2004 the Committee paid a two week visit to India. Initially, the Committee divided into two parts, with half the members visiting the States of Kerala and Andhra Pradesh, and the other half visiting Uttar Pradesh and Orissa. For the final days of the visit,

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1 The World Bank defines absolute poverty in income terms, as the percentage of a country's population living below a standard of US\$1 a day per capita.

2 The World Bank and OECD classify countries as low-income, middle-income or high-income on the basis of their Gross National Income (GNI), calculated using the World Bank Atlas method. The 2004 classification, based on GNI data for 2002 establishes the following per capita thresholds: low-income country, US\$735 or less; middle-income country US\$736 to US\$9,075; high-income country US\$9,076 or more [Edward Anderson, Sven Grimm and Carlos Montes, *Poverty Focus in EU support to Middle-Income Countries*, London: ODI with Development Strategies (October 2004) p.6].

3 As we discuss in more depth later, the surprise victory of the Congress party and its allies in India's May 2004 parliamentary elections introduced further uncertainty into the equation. While the policies of the new United Progressive Alliance (UPA) government appear to show much continuity with those of the NDA, donors remain uncertain about the UPA's attitude to foreign assistance and its likely policy implications.

the two halves of the Committee met in New Delhi. A comprehensive set of meetings and site visits gave us important insights into the development challenges which India faces and the work which DFID does to support India's development.<sup>4</sup> We are very grateful to DFID, UNICEF, and all those who helped to arrange such an informative and interesting programme. We would also like to express our appreciation to all those who provided us with information, formally or informally, to assist us with our inquiry.

5. Following this introduction, we comment in chapter two on the case for providing assistance to India. In chapter three we consider India's economic development, governance and efforts to reduce poverty to date. Chapters four and five are interrelated. Chapter four explores the different actors with which DFID engages in India (central and state governments and other donors), while chapter five considers the different aid instruments which DFID uses to deliver its programme of assistance. In chapter six we make some comments on the management, monitoring and evaluation of DFID's programme in India. We hope that our inquiry will provide a useful contribution towards DFID's thinking as it develops its next India CAP.

6. Before proceeding with the main body of the report, we wish to offer some introductory comments on DFID's involvement in India. The paragraphs which follow outline DFID's programmes in its four focus states (Andhra Pradesh, Orissa, West Bengal and Madhya Pradesh), and make some introductory remarks about the two other states which the Committee visited while in India (Kerala and Uttar Pradesh). These paragraphs are intended to set the scene for the analysis which follows, and many of the points mentioned here are expanded on in subsequent chapters.

## **DFID's involvement in India to date**

7. The UK has undertaken development work in India since the Overseas Development Administration (ODA) was first created in the early 1970s.<sup>5</sup> The ODA's work in India was mostly based on project work in specific sectors. Since its establishment in 1997 however, DFID has moved away from a project-based approach and towards engagement with sectoral schemes. By 2000, DFID had adopted a 'focus state' approach, concentrating its work on four specific states (Andhra Pradesh, Orissa, West Bengal and Madhya Pradesh), providing them with direct budget support where feasible. It also developed a more integrated approach to poverty reduction, emphasising collaboration with central and state governments around core issues such as planning, poverty-monitoring and budgeting. The Department's intention was to contribute to poverty reduction through a more targeted and less sector-specific approach. Andhra Pradesh emerged as the main recipient of DFID assistance, followed by Orissa, West Bengal and Madhya Pradesh (see table 1). At the same time DFID maintained a small National Programme which supported central government schemes, engaged in partnerships with UN agencies and provided technical assistance. Since beginning to implement its current India CAP in 2004, DFID has sought to adjust the balance in funding between its focus state and national programmes, aiming to achieve

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4 For a programme of the visit see the annex to this report.

5 For a brief history of DFID, see <http://www.dfid.gov.uk/aboutdfid/history.asp>.

a 50/50 spread. The 2004–2008 CAP is aligned to support the GoI's overall poverty reduction and growth strategy as outlined in its 10<sup>th</sup> Five Year Plan (2002–2007).<sup>6</sup>

**Table 1: DFID's India Programme budget breakdown 1999–2008**

	<b>National Programme: £m. [% of total]</b>	<b>Andhra Pradesh: £m. [% of total]</b>	<b>Orissa: £m. [% of total]</b>	<b>Madhya Pradesh: £m. [% of total]</b>	<b>West Bengal: £m. [% of total]</b>	<b>Total: £m.</b>
1999/2000	61 [64]	13 [14]	15 [16]	0 [0]	7 [7]	96
2000/2001	54 [51]	20 [19]	20 [19]	6 [6]	6 [6]	105
2001/2002	59 [33]	89 [49]	22 [12]	1 [1]	9 [5]	181
2002/2003	54 [34]	41 [26]	49 [31]	2 [1]	10 [6]	156
2003/2004	79 [40]	85 [43]	12 [6]	3 [2]	18 [9]	198
2004/2005	112 [45]	39 [15.5]	29 [11.5]	29 [11.5]	41 [16.5]	250
2005/2006	125 [45]	43 [15.5]	33 [11.5]	33 [11.5]	46 [16.5]	280
2006/2007	135 [45]	47 [15.5]	35 [11.5]	35 [11.5]	48 [16.5]	300



Source: DFID, *India Country Plan*, (February 2004) and Ev 62-63 [DFID supplementary memo]. Figures from 2004/5 are indicative based on DFID's resource allocation model. Percentages may not total 100 due to rounding.

8. The following paragraphs outline DFID's programmes in its four focus states, and make some introductory remarks about the other two states which the Committee visited while in India (Kerala and Uttar Pradesh).

6 The World Bank has accepted the 10<sup>th</sup> plan as being India's Poverty Reduction Strategy Paper (PRSP). The PRSP approach, initiated by the IMF and the World Bank in 1999, is intended to produce a comprehensive country-based strategy for poverty reduction. PRSPs are prepared by governments in low-income countries through a participatory process involving domestic stakeholders as well as external development partners (including the IMF and the World Bank). A PRSP describes the macroeconomic, structural and social policies and programs that a country will pursue over several years to promote broad-based growth and reduce poverty, as well as external financing needs and the associated sources of financing. See <http://www.imf.org/external/np/exr/facts/prsp.htm> for more details.

### POLITICAL MAP OF INDIA



	DFID's focus states
	Non-focus states visited by the Committee in October 2004

## Andhra Pradesh

9. Experts dispute the incidence and distribution of poverty in Andhra Pradesh (AP), but agree that the State is likely to achieve the income poverty MDG target before 2015. It has had variable success in improving its other human development indicators, however. Despite making good progress with primary education and the provision of safe drinking water, the State is far from achieving its health-related MDG targets, and has the second highest HIV prevalence of any Indian state. DFID's engagement in AP was originally focused around slum improvements and primary education. In the late 1990s it introduced new projects addressing TB, rural livelihoods and power sector reform. After adopting AP as a focus state in 1999, DFID deepened its partnership with the Government of Andhra Pradesh (GoAP), becoming involved in the State's wider reform agenda, which has been organised around a controversial strategy document titled 'Vision 2020'. Over the past 5 years, DFID has invested a substantial proportion of its total India budget in AP. We visited AP in order to view the success of its reform processes, which have led DFID to describe it as their 'flagship' focus state.

## Orissa

10. Orissa has been identified by India's Planning Commission as having the highest proportion of its population (47%) living below the official poverty line of any major Indian State. The State has a high debt burden and faces a severe fiscal crisis. Orissa's human development indicators are poor; it has high rates of infant and maternal mortality, of infectious disease and of under-nutrition. The State's poor are concentrated in rural areas, and poverty among marginalised groups is a long term problem, especially among the 22% of the population belonging to Scheduled Tribes (ST) and 16% belonging to Scheduled Castes (SCs).<sup>7</sup> Orissa's socio-economic development has been constrained by vulnerability to natural disasters, including floods, cyclones and drought. The UK's involvement in the State dates back to the ODA's participation in multi-donor disaster relief schemes during the 1970s. DFID continues to be involved in disaster relief when necessary, but has also selected Orissa as one of its focus states. DFID works with the Government of Orissa (GoO) to deliver programmes addressing the issues of livelihoods (particularly with STs), power sector reform, health, education and capacity building within civil society. During our visit to Orissa we were able to view a number of these programmes.

## West Bengal

11. In the early seventies, West Bengal (WB) had one of the highest poverty levels and the largest number of poor people in its rural areas of all India's states. During the 1980s the state achieved a remarkable fall in its rural poverty level; the proportion of the State's population living below the poverty line fell from 55% in 1983 to 36% in 1993–94. A wide range of factors contributed to WB's achievements, but they were undoubtedly facilitated by the State's political stability. Despite the State's success in reducing its rates of income

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<sup>7</sup> In Southern Orissa, the poverty incidence with the ST population is 92% [Arjan de Haan, *Disparities within India's poorest regions*, Background Paper for the World Development Report 2006, p.7].

poverty however, 25m. of its population continue to live in poverty. Infant mortality and malnutrition remain major problems, especially in rural areas, and primary education statistics remain poor. In recent years, fiscal crisis has encouraged the Government of West Bengal (GoWB) to move towards economic reforms designed to achieve pro-poor growth and fiscal stabilisation. The GoWB has engaged enthusiastically with DFID's attempts to support these reforms. DFID has responded by working to strengthen its partnership with WB, increasing its investment in the State and, in 2000, making it a focus state. DFID plans to substantially increase its financial assistance to WB over the next few years.<sup>8</sup>

### ***Madhya Pradesh***

12. Human development indicators in Madhya Pradesh (MP) are very poor, reflecting low standards of health and education. The State is making slow progress against all of its MDG targets and 37% of its population lives below the poverty line. The third of MP's population who belong to socially disadvantaged groups (SCs and STs) are disproportionately represented among the State's poor. DFID's focus state programme in MP began in 1999. As most of MP's poor live in rural areas, DFID is supporting efforts to reduce rural poverty through improved agriculture and expanded non-farm activities. It is also providing £10m. of technical assistance to support power sector reform in the State and is working on health, urban governance, the environment and social development. Following recent elections, DFID is focusing on building its relationship with the Government of Madhya Pradesh (GoMP) and gauging its level of commitment to processes of reform.

### ***Uttar Pradesh***

13. With a total population in 2001 of 166m., Uttar Pradesh (UP) is the fourth largest and most populous Indian state. The Committee visited UP in order to assess arguments for expanding DFID's involvement in the State in the future. Due to its size and geographical position, UP has historically been one of the most politically important states in India. Since the 1980s, the State has seen the rise of caste-and religion-based political parties, and of an increasingly blurred boundary between politics and criminality. Development schemes in UP are relatively prone to corruption and suffer from problems of accountability. DFID operates in UP via its National Programme, working through the small number of international NGOs which operate in the State. DFID has also sought to build the capacity of civil society in UP.

### ***Kerala***

14. Kerala is not one of DFID's focus states, though DFID has supported activities in the State through projects and central government schemes. The reason for our visit to Kerala was to look at what has become known as the 'Kerala paradox'. Conventional wisdom, which indicates that social development is only possible with economic growth, is undermined by the Kerala model. Despite having low per capita income, Kerala has achieved some of the best quality of life indicators in India through decades of public action and high levels of political participation and activism. During the latter part of the

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8 See [http://www.dfidindia.org/states/westbengal\\_state.htm](http://www.dfidindia.org/states/westbengal_state.htm).

1990s, Kerala's programme of decentralised participatory planning brought increased allocations of funds to the poor and improved the provision of minimum needs infrastructures. The State's radical policies have not encouraged economic growth, however. Around 12% of Kerala's population live below the poverty line, and certain communities have not shared in the State's development successes. Kerala's successful social development has presented the State with problems akin to those faced by many developed countries, without the economic means to solve them. These include low population growth and an aging population. Where the State has sought donor assistance, it has therefore been in the form of technical assistance on benchmarking and bringing in performance standards. There is debate over whether Kerala offers a model for developing countries to emulate or merely exemplifies an 'alternative development experience'.



## 2 The case for development assistance to India

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### The nature of poverty in India

15. The primary case for development assistance to India derives from the scale and persistence of poverty in the country. Since Independence, India has had some success in reducing income poverty, success which has accelerated in recent years.<sup>9</sup> India looks likely to succeed in halving the proportion of its population living in extreme poverty by 2015, in line with the first MDG. Yet India is home to over a quarter of the world's extremely poor people; around 350m. of India's citizens currently live below the International Poverty Line of one US dollar a day.<sup>10</sup> Furthermore, it is not clear that the cuts in income poverty levels which have been achieved can be attributed to the numerous anti-poverty schemes that have been implemented in India since the 1970s.<sup>11</sup> These cuts may be more directly credited to state support for agriculture (the so-called 'Green Revolution') and comparatively high recent rates of GDP growth.

16. Dr Michael Lipton told us that in his assessment, donor assistance had impacted on poverty reduction in India, although perhaps not to the extent that might have been possible.<sup>12</sup> In any context it is difficult to measure the impact of donor assistance on poverty reduction. In India particularly, the insignificance of donor contributions in relation to the GoI's overall budget makes it difficult to attribute outcomes to specific donor inputs. Such evaluation is comparatively easier (although still difficult) in African countries, where donors may fund the majority of activities in specific sectors. This reality makes it hard to assess whether DFID resources currently allocated to India might be better spent in other contexts, such as sub-Saharan Africa.

17. Despite India's success in reducing income poverty, it has made less headway in terms of other human development indicators. Global success in meeting the MDGs depends upon India achieving its targets,<sup>13</sup> but the country's progress towards non-income MDG targets has been slow, particularly in the fields of health and education (see table 2).<sup>14</sup> There seems to be a lack of political commitment to reaching these 'off-track' MDGs at both state and national level.<sup>15</sup> Successive Indian governments have found it politically acceptable to

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9 Q 4 [Dr Michael Lipton CMG, Research Professor of Economics, Poverty Research Unit, University of Sussex]; Official data suggest that the proportion of Indians living below the poverty line fell from 40% in 1987-8 to 26% in 1999-2000 [Panagariya, A., "Commentary; vote against reforms?" *Economic and Political Weekly*, Vol. 39 (21), May 22 2004, pp.2079-2081], although the validity of these figures are disputed by some scholars (see paragraph 40).

10 The GoI's Official Poverty Line, or Headcount Ratio, defines those whose income is too low for adequate nutrition; approximately 260 m. people at present.

11 In some cases anti-poverty schemes do seem to have succeeded in reducing levels of vulnerability – another measure of poverty.

12 Q 12 [Dr Michael Lipton CMG, University of Sussex]; The Indian Planning Commission acknowledged in 2001 that external sources of development assistance had not been tapped as extensively as they might [Government of India, *Approach paper to the Tenth Five Year Plan (2002-2007)*, Planning Commission, (New Delhi, 2001), available on-line at <http://planningcommission.nic.in>].

13 Q 36 [Mr David Loyn, BBC] and Ev 55 [DFID memo].

14 Q 10 [Dr Michael Lipton CMG, University of Sussex].

15 The Reproductive and Child Health programme, the second phase of which DFID has been involved in designing, is an exception.

promote poverty reduction as a benefit of broader policies designed to promote economic growth. Implementing policies to address indicators of human development beyond income (health, education, sanitation and so on), and to tackle the issues of inequality and social exclusion, has proved harder. This is because the constituencies that such policies would benefit most are those with the least political influence, the poor and dispossessed. Although the GoI's policies discuss the importance of reaching the poorest and most socially excluded groups, we heard during our inquiry that in practice such goals are rarely achieved.

18. From what we saw during our inquiry, DFID has, to date, largely replicated the GoI's concentration on income poverty, by focusing mainly on the pro-poor implications of economic growth and reform. **Although we agree that reducing income poverty is vital, we were surprised by how little we heard from DFID about work to address India's 'off-track' MDGs.** DFID did tell us that among their eleven priorities in India for 2004/5 they intend to "significantly increase resources to tackle off-track MDGs, particularly health (including HIV/AIDS), and education."<sup>16</sup> This is a positive sign as **we think that DFID should prioritise work on India's 'off-track' MDG goals.**

Table 2: India's likely progress towards meeting selected Millennium Development Goal targets

MDG target	Likely progress
Halve, between 1990 and 2015, the proportion of people living on less than \$1 a day (Target 1)	<b>Likely</b> at All-India level. Certain states less likely to succeed (eg. Orissa).
Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling (Target 3)	<b>Possible.</b> But only with much more attention. 25% of Indian girls are still not in school. Poor data available.
Eliminate gender disparity in primary and secondary education by 2005 and in all levels of education no later than 2015 (Target 4)	<b>Possible.</b> India is far from achieving balanced gender representation in other sectors however.
Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate (Target 5)	<b>Possible.</b> But only with much more attention.
Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio (Target 6)	<b>Very unlikely.</b> Poor data available.
Have halted by 2015 and begun to reverse the spread of HIV/AIDS (Target 7), and the incidence of malaria and other major diseases (Target 8)	<b>Very unlikely.</b> Poor data available but all three appear to be on the increase.
Halve, by 2015, the proportion of people without sustainable access to safe drinking water (Target 10)	<b>Already met</b> in urban areas. <b>Likely</b> in rural areas.
Halve, by 2015, the proportion of people without sustainable access to basic sanitation (Target 10)	<b>Very unlikely.</b>

Source: Ev 59 [DFID memo].

19. India's development situation continues to be characterised by social and spatial inequality. Spatially, there are growing disparities in economic development within and between different States. Socially, the nature and extent of exclusion led one commentator – during an informal discussion with the Committee — to describe India's as the most callous society he had encountered.<sup>17</sup> During the course of our inquiry our attention was drawn to the social exclusion suffered by a number of different groups in India. These include:

- scheduled castes (SCs/Dalits);
- scheduled tribes (STs/Adivasis);
- disabled individuals;
- Muslims;
- the urban poor;
- young people; and,
- women.

17 Informal committee discussion with Mr Edward Luce, South Asia Bureau Chief, Financial Times.

20. We received a number of written submissions from organisations representing socially excluded groups. Voice of Dalit International and the Dalit Solidarity Network UK told us about the social exclusion suffered by members of scheduled castes in India.<sup>18</sup> Although untouchability was outlawed in the Constitution of India (promulgated in 1950), SCs and STs, which together make up a quarter of India's population (260m.), continue to face discrimination. The GoI has established a system of positive discrimination or 'reservation', which allocates government and public sector jobs to these groups in proportion to the size of their population. Nevertheless, SCs and STs continue to have worse income, health and education indicators than India's general population. We were alarmed by the complacency of many of those we met during our visit, who argued that the reservation system has dealt adequately with the India's problems of caste and ethnic discrimination. The remainder of the evidence we received contrasted sharply with such assertions.<sup>19</sup> Although reservations may have helped at the margins, by raising the 'voice' of SCs and STs in political processes, as far as we can see they have done little to challenge the structural inequalities built into Indian society.

21. The memorandum which VSO submitted to our inquiry focused on the marginalisation of disabled people and people living with HIV/AIDS (PLHAs) in India.<sup>20</sup> Estimates of the number of disabled people living in India range from 18.5m.<sup>21</sup> to 70m.<sup>22</sup>, while the official number of PLHAs currently stands at 5.1m. (although the inadequacy of infectious disease surveillance systems in India makes this figure unreliable). A WHO study found that less than 5% of disabled people in India have access to any kind of rehabilitation service. The lack of basic mitigation (for example, spectacles, crutches, wheelchairs) intensifies experiences of disability.<sup>23</sup> Disabled people, and their households, are more likely to be poor, due to their higher dependency ratios and processes of stigma and exclusion.<sup>24</sup> Y Care International told us of their concerns regarding the "high levels of poverty amongst marginalized and vulnerable young people in India, in particular young people of scheduled tribes and young people living with a disability."<sup>25</sup> They argued that "young people represent a marginalized group that should be mainstreamed in India's strategy to tackle poverty." N.C. Saxena, a former Secretary of the India Planning Commission and Secretary, Rural Development, made us aware of the social exclusion suffered by the urban poor in India. Many people living in urban areas are compelled by their poverty to inhabit 'informal settlements' or slums. They consequently live their lives on the border of legality, and are inevitably brought into conflict with the police.

22. Many women in India face extreme levels of social exclusion. This is reflected by the ratio of women to men in India's population, which, alarmingly, has declined over the last 100 years from 972/1000 to 933/1000. The disparity between the sexes is mainly due to

18 Ev 97 [Dalit Solidarity Network (UK) memo]; Ev 101 [Voice of Dalit International (VODI) memo].

19 Q9 [Dr Michael Lipton CMG, University of Sussex]; Q122 [Professor John Farrington, Overseas Development Institute]. See also David Haslam, *Caste Out: The liberation struggle of the Dalits in India*, London: CTBI (1999).

20 Ev 103 [VSO memo].

21 Kate Bird and Nicola Pratt, *Fracture points in social policies for chronic poverty reduction*, London: ODI (2004).

22 Ev 103 [VSO memo].

23 World Health Organisation, *Disability and rehabilitation*, Geneva: WHO (2003).

24 See footnote 21.

25 Ev 105 [Y Care International memo].

female infanticide and the neglect of girl children.<sup>26</sup> Women's social exclusion is further demonstrated by their poor human development indicators: female illiteracy stands at 62%, (compared to 34% for men); 60% of women are anaemic; and, every fourth woman who dies in childbirth in the world is an Indian.<sup>27</sup> Women face the issues of dowry pressures and sexual violence, and it is becoming evident that in India, as in Africa, HIV/AIDS is disproportionately affecting women. We examine DFID's work to address gender issues and social exclusion in Chapter 3.

## DFID's rationale for working in India

23. Following the publication of the World Bank's report "Assessing aid" in 1998,<sup>28</sup> the argument that aid is most effectively utilised where there are large numbers of poor people *and* a conducive policy setting became widely-accepted wisdom amongst donors. DFID also gives credence to this argument, using 'high poverty' and 'good governance' criteria to justify their provision of assistance to India.<sup>29</sup> According to their rationale, India's relatively sound institutional environment enhances the case for assistance to the country. While the scale of poverty in the countries of sub-Saharan Africa is roughly comparable to that in India – with around half the population of these countries (320 m. people), living on less than a dollar a day,<sup>30</sup> India scores better than most sub-Saharan African countries on governance grounds. Despite significant problems of governance (which are discussed further in Chapter 3), the country has a functioning civil service and is well able to handle significant flows of aid. India also has significant stocks of human capital: a dense and vibrant civil society; an extensive free press; and a sophisticated academic community with a substantial capacity to generate and absorb ideas. Charlotte Seymour-Smith, the Head of DFID India, told us that as India is not aid-dependent, and its political and bureaucratic institutions are relatively mature "there are significant opportunities for donor assistance to be used to reduce poverty."<sup>31</sup>

24. **We are convinced that, at present, India qualifies easily for DFID's assistance, on both high poverty and good governance grounds.** As several witnesses pointed out, given the number of poor people living in India, the country could currently be considered under-aided.<sup>32</sup> Yet over the last few years the 'high poverty/ good governance' model of aid effectiveness has been disputed. As we noted in a previous report on 'Financing for Development', critics of the World Bank's approach to aid allocation have questioned the relative importance of the right policy environment in determining the effectiveness of aid. They have suggested that aid can be effective across a range of policy environments.<sup>33</sup> Such

26 According to the UN's Food and Agriculture Organisation, see <http://www.fao.org/sd/WPdirect/WPre0108.htm>.

27 See [http://www.actionaidindia.org/People\\_we\\_work\\_for.shtml](http://www.actionaidindia.org/People_we_work_for.shtml).

28 World Bank, *Assessing aid: what works, what doesn't and why*, Washington DC: Oxford University Press for the World Bank (1998).

29 Paul Collier and David Dollar, "Development effectiveness: what have we learnt?" *Economic Journal*, Vol. 114 (2004), pp.244-271.

30 United Nations Development Programme, *Human Development Report 2004* (2004) p.129.

31 Q 39 [Dr Charlotte Seymour-Smith, DFID India].

32 *Ibid*; Q 10 [Dr Michael Lipton CMG, University of Sussex]; *The Case for Increased Aid to India*, annex to DFID memo (Ev 55), not printed, placed in the Library.

33 International Development Committee (IDC), Fifth Report of Session 2001-02, *Financing for Development: Finding the money to eliminate world poverty*, HC 785-I; See also OECD/DAC, *Development Cooperation Report*, (1999)

arguments underline the importance, for donors, of continuously re-examining their models of aid and aid effectiveness. In referring to the existence of such debates over aid effectiveness we do not mean to challenge DFID's allocation of aid to India as a whole. As we discuss later in this report however, we do think there are questions about how DFID has allocated its assistance within its India programme. In selecting the Indian states in which it would develop focus state programmes, DFID prioritised the criterion of good governance. To date, such prioritisation has limited DFID's engagement with some of India's poorest states (including UP and Bihar), which are affected by conflict, crisis and lack of good governance.<sup>34</sup>

25. DFID India staff told the Committee that at its current rate of economic growth, India was expected to graduate from being a low-income country (LIC) to being a middle-income country (MIC) in approximately 2013/15. **Although India's shift to MIC status is "some way off"<sup>35</sup> we think that DFID should already be considering its likely implications.** The significance of India's projected move between the (otherwise arbitrary) categories of LIC and MIC derives from one of DFID's commitments under its 'Value for Money' objective. DFID has undertaken to provide 90% of its country programme resources to LICs by 2005/6. This commitment, which excludes humanitarian assistance, has led to reductions in planned bilateral spending in MICs.<sup>36</sup> These reductions are based on the assumption that although MICs are often characterised by high levels of inequality, they ought to have the capacity to redistribute their resources internally and thereby alleviate the poverty of their poorest citizens.<sup>37</sup> India is already typical of an MIC in terms of its high levels of inequality.<sup>38</sup> The fact that these inequalities are growing suggests that redistributive policies implemented by the GoI have not been effective, to date.

26. **Under DFID's current policy, India's elevation to MIC status would necessitate a drastic reduction in the volume of DFID's bilateral assistance to the country. A significant reduction in DFID's assistance to India would be problematic if it led to the curtailment of programmes in India's poorest states.** Many of these states are characterised by levels of poverty and indebtedness which, if they were independent countries, would qualify them for Least Developed Country (LDC) and Highly Indebted Poor Country (HIPC) status.<sup>39</sup> Hilary Benn acknowledged this when he told us "If UP and Bihar were countries in their own right, we would be in there."<sup>40</sup> Given India's geographical size and huge population of poor people, we believe it could be considered an exception to existing rules regarding the distribution of DFID assistance between MICs and LICs. One

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pp.130-131; Jonathan Beynon, *Policy implications for aid allocations of recent research on aid effectiveness and selectivity: A summary*, DFID (2001).

34 IDC, Eighth Report of Session 2002-03, *DFID: Departmental Report 2003*, HC 825 p.15.

35 Q 148 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

36 DFID, *Departmental Report 2004*, CM 6214 (April 2004), p.155.

37 Edward Anderson, Sven Grimm and Carlos Montes, *Poverty Focus in EU support to Middle-Income Countries*, London: ODI with Development Strategies (October 2004).

38 "The state of the states", *India Today*, 16 August 2004.

39 The Heavily Indebted Poor Countries (HIPC) initiative was established in 1996 as a mechanism to co-ordinate debt cancellation among multilateral and bilateral creditors. The programme, administered by the World Bank and IMF, is intended to reduce to poor countries' debt burdens to a sustainable level. Forty-nine countries that have been identified by the UN and recognised by the WTO as 'least developed' in terms of their low GDP per capita, their weak human assets and their high degree of economic vulnerability.

40 Q 156 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

possibility might be for DFID to continue engaging with individual states even if it decided to scale back its programme to India as a whole. From what we heard about the GoI's evolving attitude to the receipt of development assistance however (see paragraphs 32–38), it seems unlikely that the GoI would allow DFID to pursue a policy of engaging only with individual states. Nonetheless, **we think that DFID ought to be developing its work in India's poorest states. We would be very concerned if the future success of India in reducing levels of income poverty (and thereby attaining MIC status), led DFID to significantly reduce its work with India's remaining hundreds of millions of poor and socially excluded people.**

### Value for money

27. Total overseas development assistance to India amounts to less than 0.35% of India's GDP (or 1.3% of the GoI's discretionary expenditure), and DFID's assistance represents under 0.06% of India's GDP.<sup>41</sup> In comparison to certain countries in sub-Saharan Africa, where DFID assistance can make up 10–20% of GDP, DFID's financial contribution to poverty reduction in India is a drop in the ocean. As one witness commented to us however “capital clearly is not the point”<sup>42</sup> of DFID's involvement in India. Our inquiry led us to concur with Hilary Benn's view, that it is for DFID's “ideas and its flexibility”<sup>43</sup> that many in India welcome its presence. It is nonetheless the case, as the Secretary of State also told us, that DFID's financial contribution “enhance[s] the conversation”<sup>44</sup> which the Department is able to have with the GoI.<sup>45</sup> Many of those we spoke to in India saw the value of DFID's programme in terms of its technical assistance, good practice and scrutiny of programme governance, rather than in terms of its absolute monetary value. We agree with this analysis. Given the extent of poverty in the country, we do not see the limited scale of DFID's programme as counting against the case for assistance to India. As we discuss further in Chapter 5, we think DFID should build on the existing strengths of its India programme by devoting a greater proportion of its resources towards research, technical assistance and the development and dissemination of good practice.

28. Aid conditionality has always been relatively ineffective at the central level in India.<sup>46</sup> Mark Robinson considered that this ineffectiveness has largely been due to the insignificance of donor funds in comparison to the considerable volume of GoI spending.<sup>47</sup> To some extent, the ineffectiveness of aid conditionality can also be attributed to the determined independence of the GoI. The decision by some donors to impose sanctions on India following the country's first testing of its nuclear capabilities in 1998<sup>48</sup> made it even

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41 DFID, *India Country Plan*, (February 2004). Available at <http://www.dfid.gov.uk/pubs/files/capindia.pdf>.

42 Q 36 [Mr Christopher Lockwood, *The Economist*].

43 Q 145 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

44 Q 180 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

45 DFID's financial assistance is also less of a “drop in the ocean” at state and project-level. This raises the question of why DFID is moving away from project-based work and towards support to central government schemes.

46 Q 180 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

47 Q 81 [Dr Mark Robinson, Institute of Development Studies (IDS), University of Sussex].

48 Several donors withdrew or cut back their aid packages to India following the country's first tests of its nuclear capabilities in May 1998, with little discernible impact on GoI policy. A similar strategy following the communal violence in Gujarat in 2002 served only to increase GoI suspicion of international donors [Gareth Price, *India's aid dynamics: from recipient to donor?* Asia Programme Working Paper, Chatham House (2004)].

more difficult than it had previously been for donors to apply conditionalities at the central government level. According to Dyson and Vira:

The sanctions... made it evident to the government of India that it could operate quite comfortably without donor assistance, and that “the donors could keep their sanctions.” Donors eventually lifted their sanctions voluntarily, but the relative bargaining position of donors vis-à-vis the national government had weakened.<sup>49</sup>

Given the independence of the GoI, DFID has realised that it must focus on “policy discussion... based on ideas changing minds,”<sup>50</sup> rather than seeking to apply conditionalities. This is in line with recent shifts in DFID’s thinking on aid ‘conditionality’,<sup>51</sup> which we welcome. **We endorse the assertion of DFID, the FCO and HM Treasury in their September 2004 consultation paper on aid conditionality that “developing countries must have room to determine their own policies for meeting the Millennium Development Goals” and applaud the UK government’s renewed emphasis on building partnerships for poverty reduction with developing country governments.**<sup>52,53</sup> We look forward to seeing how the shift in DFID’s thinking set out in the consultation paper impacts on DFID’s work in practice.

29. At state-level, DFID’s financial assistance is of greater significance than at the centre; in Orissa for example, it is projected that DFID assistance will make up 7.8% of the State’s discretionary expenditure between 2002 and 2005.<sup>54</sup> The larger significance of DFID’s assistance at state-level means that its influence on policy formation can be potentially greater.<sup>55</sup> Recent events in AP have illustrated however, that even at state-level, donor policy influence is limited. In June 2004 the World Bank suspended its budget support lending to AP after the State’s newly elected government decided to provide free electricity to farmers, going back on previous pricing agreements they had made with the Bank (see paragraphs 57–60).

30. Although donors can require their aid to be spent on a particular sector, they cannot prevent a recipient government responding by cutting its own resource allocation to that sector, thereby leaving the total spend the same. This is known as the ‘fungibility’ of aid. As the World Bank has observed, in most countries the majority of aid is likely to be highly fungible, and consequently “the safest assumption for donors is that they are, more or less, financing whatever the government chooses to do.”<sup>56</sup> In light of this, DFID’s assessment of the policy priorities of the GoI and individual state governments is crucial to ensuring that

49 Jane Dyson and Bhaskar Vira, *Donor Dilemmas: Perceptions, Relationships and Strategies in the Rural Natural Resources Sector*. Presented at “*The Commons in an Age of Globalisation*,” the Ninth Conference of the International Association for the Study of Common Property, Victoria Falls, Zimbabwe, June 17-21, 2002 p.14. Available at <http://dlc.dlib.indiana.edu/archive/00000816/>.

50 Q 81 [Dr Rathin Roy, Development Economist].

51 As represented in their draft policy paper “Partnerships for aid reduction: changing aid “conditionality” ” published for consultation in September 2004. Available at <http://www.dfid.gov.uk/pubs/files/conditionalitychange.pdf>.

52 *Ibid* p.1.

53 We recognise however, the continued value of “process conditionalities”, which seek to encourage political and institutional changes in order to improve the quality and effectiveness of aid (see discussion in paragraph 97).

54 Government of Orissa, *Medium Term Fiscal Plan 2002-03 to 2007-08*.

55 Q 13 [Professor James Manor, IDS, University of Sussex].

56 World Bank, *Assessing aid: what works, what doesn't and why*, Washington DC: Oxford University Press for the World Bank (1998) p.74.

its resources will be spent on poverty reduction. Furthermore, DFID must assess the success with which pro-poor policies are translated into pro-poor practices.

31. India is capable of funding the development of thermonuclear devices, and is in the process of expanding its own overseas aid programme (see paragraphs 32 to 38). We were therefore concerned, over the course of our inquiry, to establish that the resources which DFID allocates to India really provide additional development assistance. As Dr. Michael Lipton put it, “The key question is whether extra aid will actually mean extra resources going to the poor... or whether it will simply displace government money which would otherwise have gone to those ends.”<sup>57</sup> He went on to say:

If you ask me whether objectively I think [India’s defence spending] is probably too high, given the alternative priorities and development and poverty priorities in front of India, I would agree with that and so would many Indians. If you ask me whether India is by any means an extreme case of that among our aid recipients, or if you ask me whether I think withdrawing aid would make the Government of India spend less on defence, the answer to both those questions is no. So there is no operational implication for Britain’s aid.<sup>58</sup>

Most of those who we spoke to during the course of our inquiry concurred with Dr. Lipton’s point of view.<sup>59</sup> We were convinced by their arguments that DFID’s assistance does provide additional benefit. As we discuss later in this report however, questions remain over how this assistance is being distributed and deployed.

## India’s attitude to aid

32. In recent years, India seems to have become increasingly tired of being cast in the role of aid recipient.<sup>60</sup> In June 2003 the then Deputy Prime Minister, L.K. Advani asserted that “By 2020 we should become a developed country”<sup>61</sup> and the NDA government announced a series of changes to India’s aid policy. The main changes were:

- GoI would no longer accept any tied aid;
- GoI would accept bilateral aid from only six sources (Japan, Germany, Russia, the UK, the USA and the European Union). The other 22 bilateral donors operating in India were requested to channel assistance through civil society or multilateral organisations;
- GoI would pre-pay all outstanding debt owed to bilateral donors (except Japan, Germany, France and the US), having already pre-paid \$2.8 bn. of debt to the World Bank and ADB earlier in 2003; and,

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57 Q 10 [Dr Michael Lipton CMG, University of Sussex].

58 Q 4 [Dr Michael Lipton CMG, University of Sussex].

59 See for example Q 41 [Dr Charlotte Seymour-Smith, DFID India]; Q30 [Mr David Loyn, BBC]; and, Q181 [Dr Mark Robinson, IDS, University of Sussex].

60 Q 39 [Dr Charlotte Seymour-Smith, DFID India].

61 Sheela Bhatt, *The Rediff Interview: Deputy Prime Minister L.K. Advani*, (June 11 2003). Available at <http://www.rediff.com/news/2003/jun/11inter.htm>.

- GoI would cancel debt to seven Highly Indebted Poor Countries and provide grant or project assistance to developing countries in Africa, South Asia and elsewhere through the 'India Development Initiative'.<sup>62</sup>

33. These changes in aid policy can be seen as a reflection of India's changing self-image. They seem to have been primarily intended to bolster Indian economic and political interests. Some commentators have suggested that the changes in aid policy were motivated by the GoI's concern about donors' attempts to use their aid packages as instruments of foreign policy, to force changes in Indian domestic policy. A further explanation offered for the move was that India felt its global ambitions, not least its desire to secure a permanent seat on the UN Security Council, were being hindered by its position as a recipient of aid from countries with less strategic ambitions. The GoI itself justified its policy changes on efficiency grounds, as lowering the transactions costs involved in dealing with multiple donors. Whatever their motivation, the changes demonstrate how GoI decisions regarding development assistance may pre-empt any future plans which DFID makes in respect of its India programme. As DFID acknowledged in its submissions to the Committee, those seeking to provide development assistance to India must take account of this reality.<sup>63</sup> The policy shifts reflect India's vibrant democratic system, but also highlight the rapidly changing nature of its aid environment. In India, in contrast to the majority of DFID's country programmes, the parameters of the aid relationship are heavily shaped by the partner, rather than the donor. Hilary Benn acknowledged this when he told us "We have to adapt to the framework that the Government of India, as its policy evolves and changes, sets, and respond accordingly, but continue to bring what we can."<sup>64</sup> **We were encouraged to hear that DFID has undertaken analysis of the risks to development assistance in India in the course of creating its new CAP for the country, and encourage the Department to repeat such analysis on an ongoing basis.**

34. Since the Lok Sabha election in May 2004, there has been uncertainty over whether the new Congress-led UPA government would adopt, adapt or discard the NDA's modifications to India's aid policy.<sup>65</sup> There has been some indication that the UPA will reverse the policy, accepting aid from all G8 countries and from non-G8 EU members provided they contribute at least \$25m. a year.<sup>66</sup> Representatives of withdrawing bilateral donors told us that in practice this modification would affect only the Netherlands, who have given no indication of reversing their plans to withdraw. Some commentators have suggested that the UPA may demonstrate a greater commitment to social issues than the NDA did, basing their arguments on the Congress party's manifesto commitments to generating employment for poor rural households. As in most countries, however, it is common for Indian governments to fail to implement their electoral promises, so

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62 Gareth Price, *India's aid dynamics: from recipient to donor?* Asia Programme Working Paper, Chatham House (2004).

63 Ev 56 [DFID memo].

64 Q 151 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

65 The GoI's refusal to accept any overseas relief following the tsunami on 26 December 2005, reflects continuity in the government's desire to not be seen as an aid recipient. Andy Mukherjee "Commentary: As an aid donor, India displays larger ambitions", *International Herald Tribune*, 7 January 2005. Available at <http://www.iht.com/articles/2005/01/06/bloomberg/sxmuk.html>.

66 This was announced in a press release during 2004 but no further details have been forthcoming.

Congress's manifesto commitments are no guarantee of UPA policy.<sup>67</sup> The lack of effective grassroots pressure for the fulfilment of electoral commitments in India seems bound to limit the pro-poor outcomes of government policy-making, and the GoI has yet to engage with this issue.

35. Both the New Delhi Declaration, signed in January 2002,<sup>68</sup> and the Prime Ministers' Initiative, signed by Tony Blair and Manmohan Singh in September 2004, demonstrate the value which the UK and Indian governments accord to their countries' ongoing relationship. Other bilateral donors told us that their relationships with India have evolved in recent years. Mr. Wolfhard Behrens, the Head of Economic Co-operation and Development at the German Embassy in Delhi, told us that the GoI now prefers to discuss economic co-operation, because discussions of development assistance are an unwelcome reminder of India's poverty and problems. The EU's programme in India also focuses on economic cooperation rather than development assistance.<sup>69</sup> **Naturally, we attach great importance to the continued maintenance of the UK's cordial and productive relationship with India. We believe that DFID's relationship with the GoI should be seen as a relationship between two partners rather than in terms of a donor and recipient.**

36. One important aspect of this changing relationship is DFID's engagement with India's own international aid programme. Perhaps surprisingly, India has been a long-standing provider of aid to other countries, primarily through the provision of training and manpower assets. India has also provided significant amounts of assistance to its neighbours, during the 1980s to Bangladesh and Vietnam, and more recently to Afghanistan, Nepal and Bhutan. According to the Ministry of External Affairs, Indian assistance since 1964 has totalled around \$2bn.<sup>70</sup> The policy changes introduced by the NDA in 2003 expanded India's existing aid programme through the creation of a new 'India Development Initiative'. **We support DFID's stated intention to support India's emerging role as a donor, and to expose India to global best practice and harmonisation.** In light of this we were pleased to hear, for example, that DFID has encouraged its partner agency UNICEF India to facilitate lesson-learning between India and Nigeria around social mobilisation & communication for polio eradication.

37. Following the tsunami earthquake disaster which hit South Asia on 26 December 2004, the GoI announced assistance totalling \$22.5m. to Sri Lanka, the Maldives, Indonesia and Thailand.<sup>71</sup> India itself is thought to have suffered over 10,000 fatalities and widespread destruction, with the states of Tamil Nadu, Pondicherry, AP, and the Andaman and Nicobar islands, worst affected. The GoI has received both criticism and praise from domestic and international sources for its decision to refuse overseas aid for relief from the

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67 For example, criticising the government's recent employment guarantee draft legislation, the *Times of India* wrote "The UPA government needs to show the political will to stop subsidising the rich and start implementing the promises it made to those who voted this government to power." (Editorial, 10 December 2004).

68 Among other things, the New Delhi Declaration (2002) committed the UK to providing £300m of financial support to India annually in the medium term.

69 India's preference for partnerships has also been reflected in their position on GATS Mode 4 negotiations, where along with some other developing countries they have pushed for greater liberalisation of cross-border labour migration.

70 See footnote 62.

71 See footnote 65.

disaster. Oxfam and Médecins Sans Frontières have expressed concern that this may have delayed the delivery of essential food and medicine to those affected.<sup>72</sup> An editorial in the Times of India described the GoI as “churlish” for refusing to accept well-meant offers from around the world.<sup>73</sup> Others have accepted that the GoI may have valid reasons for its decision: pledges of assistance may not represent new money; aid may consist of inappropriate offers ‘in kind’; disaster assistance is often supplied for political reasons; and, as a regional power, India has a responsibility to respond to such crises.

38. As a commentary in the International Herald Tribune observed “by rejecting foreign assistance, the Indian government has willingly invited greater scrutiny on its relief efforts. One can, therefore, expect a better-than-usual response from the bureaucracy.”<sup>74</sup> We hope this is the case. The tsunami earthquake disaster occurred after we had concluded taking evidence for our inquiry and we have no wish to rush to ill-considered judgements about the nature of the relief effort so soon after the event. We think the disaster has raised two more general points, however. First, the tsunami’s widespread impact has highlighted the need for DFID to retain the capacity and adaptability to respond quickly and appropriately to disasters occurring in the countries where it works. Lower income countries have limited financial, human, technological, institutional and natural resources, and therefore suffer disproportionately when disasters occur; between 1992 and 2001, poor countries accounted for one fifth of the total number of disasters but over half of all the disaster fatalities which occurred.<sup>75</sup> Second, the tsunami has reinforced the relevance of many of the recommendations we made in our 2002 report ‘Global climate change and sustainable development.’<sup>76</sup> The tsunami was a geo-physical event, and not caused by climate change. Experts agree however, that the frequency and impacts of natural disasters are likely to be increasingly exacerbated by climate change. We therefore wish to reiterate some of the recommendations of our previous report, including: the importance of disaster mitigation efforts, including international standards for early warning, response and recovery; the need for DFID to sponsor vulnerability assessments to enable adaptation work to be targeted at the most vulnerable communities; and, the need for urgent action to build the capacity of developing countries to understand and respond to climate change. We were alarmed by a recent World Economic Forum report which found that progress towards the environmental MDGs had been the slowest towards any of the Goals (rating it at just 3/10).<sup>77</sup> **HMG needs to re-assess its progress on environmental MDGS.**

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72 Khozem Merchant, “India’s policy ‘holding back urgent relief’”, *Financial Times*, 8 January 2005; see also Edward Luce, “India aims to be part of the solution as it defends refusal to accept foreign help”, *Financial Times*, 6 January 2005.

73 “View: India ambivalent about disaster aid”, *Times Of India*, 30 December 2004. Available at <http://www1.timesofindia.indiatimes.com/articleshow/975001.cms>.

74 See footnote 65.

75 International Federation of Red Cross and Red Crescent Societies, *World Disasters Report 2001*. Available at <http://www.ifrc.org/publicat/wdr2001/>.

76 IDC, Third Report of Session 2002-03, *Global Climate Change and Sustainable Development*, HC 519-1. Available at <http://www.publications.parliament.uk/pa/cm200102/cmselect/cmintdev/519/519.pdf>.

77 *Global Governance Initiative Annual Report 2005*, World Economic Forum, London (2005). Available at [http://www.weforum.org/pdf/ggi2005\\_low.pdf](http://www.weforum.org/pdf/ggi2005_low.pdf).

## 3 Economic development, governance and poverty reduction

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### Fiscal reform

39. During the 1950s and 1960s India's planners sought, within the context of a commitment to planned industrialisation, to unlock the economic potential of India's rural areas through agrarian reform and the 'Green Revolution'. The country, however, seemed to be stuck with a 'Hindu rate of growth' of little over 1.5% per capita annually. Little progress was made on poverty reduction. During the 1980s, the extension of the 'Green Revolution' and off-farm employment opportunities, together with high levels of public spending, increased annual average rates of growth to nearly 4% per capita. By early 1991 however, India's fiscal and trading situation had become grave, and a process of stabilisation and fiscal reform was initiated under the then Finance Minister (current Prime Minister), Manmohan Singh. This reform process has been maintained by succeeding governments and achieved sustained economic growth.

40. Although there is general agreement that between 1991 and 2001, the number of people living in absolute poverty in India fell, there is disagreement over the scale of the poverty reduction which occurred. This dissent has arisen because the GoI's methodology for collecting the source data for its poverty statistics was altered during this period. Opinion is further divided over whether there has been a causal relationship between India's process of reform, and the reduction in poverty levels which has accompanied it. Michael Lipton told us of research which indicates that the responsiveness of Indian poverty to economic growth has been reducing; the slower growth which occurred between 1975 and 1989 appears to have been more pro-poor than the accelerated growth which has taken place since 1990. This may be because agriculture did less well during the latter period.<sup>78</sup>

41. The results of the Lok Sabha election in 2004 were interpreted by many as the reaction of the rural poor against the NDA government's vision of reform and development. Analysis of voting patterns contradicts this interpretation, suggesting instead that regional and caste-based politics, strategic alliance-building by the Congress party and anti-incumbency voting were the most significant factors. Nonetheless, the election result has drawn attention to the unevenness with which economic reforms have impacted in India. Although the new UPA government may make adjustments to the packaging and presentation of the reform process, reorienting policy towards rural areas and prioritising social and developmental concerns, commentators agree that their policies are likely to maintain the NDA's broadly reforming agenda.<sup>79</sup> Almost all commentators agree that the extension of fiscal reform remains key to India's economic development, not least because of the country's fiscal deficit of over 10% of GDP. The likelihood of continued reform has been enhanced by the fact that there are two prominent economists leading the UPA government; Prime Minister Singh and Finance Minister Chidambaram. Manmohan Singh has explicitly stated that "reform with a human face" will be a priority of his

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78 Q 5 [Dr Michael Lipton CMG, University of Sussex].

79 Meeting in Delhi with Mr Sundeep Waslekar, Strategic Foresight Group.

government.<sup>80</sup> Mr David Loyn told us that the UPA government has been discussing the introduction of VAT and extending fiscal reforms to raise taxes for reinvestment in sectors such as education.<sup>81</sup>

42. Many commentators are optimistic about India's economic future. India's tenth five year plan has set a target annual per capita growth rate of 6.25%, and committed to increasing flows of remittances from Non-Resident Indians (NRIs) and attracting higher levels of foreign direct investment. On the other hand, a number of uncertain factors give reason to be cautious about India's future economic growth. These include:

- the continued stability of India's relationships with its regional neighbours, Pakistan, Nepal, Bangladesh and Sri Lanka;
- increasing economic competition with China;<sup>82</sup>
- ongoing district-level instabilities caused by in some areas by militants (naxalites) and in others by conflict over water;
- the growth of organised crime and corruption;
- increasing 'communalism' (loyalty and commitment to the interests of religious or ethnic groups rather than to society as a whole);
- a growing general government deficit; and,
- the potential future impact of HIV/AIDS.<sup>83</sup>

### Addressing social exclusion; reaching the poorest

43. Whatever India's future economic prospects, economic growth cannot be the only means of tackling India's poverty. Though important, economic growth is not a sufficient condition for the alleviation of poverty. As DFID's Chief Economist, Adrian Wood, observed in a recent paper "How much poor people benefit from a given rate of growth depends on what happens to the inequality of income distribution."<sup>84</sup> DFID acknowledged to us that much more needs to be done to ensure that India's model of growth is poverty reducing. Despite the reductions in income poverty which have been achieved in India, levels of extreme poverty and social exclusion remain high.

44. DFID rightly sees social exclusion as one of the major obstacles for rapid poverty reduction and human development in India.<sup>85</sup> In an attempt to address the needs of socially excluded groups in India, DFID has sought to promote their 'voice' in policy

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80 Edward Luce, "Singh makes reform of government his priority", *Financial Times*, 25 June 2004; Edward Luce and Ray Marcelo, "Attack on India's 'diluted' employment bill", *Financial Times*, 8 December 2004.

81 Q 28 [Mr David Loyn, BBC].

82 Meeting in Delhi with Mr Sundeep Waslekar, Strategic Foresight Group. See also, Quentin Peel, "India's terms of engagement" *Financial Times*, 11 November 2004.

83 World Bank, *India Country Brief*, September 2004. Available at <http://www.worldbank.org.in/>.

84 Adrian Wood "Making globalization work for the poor: the 2000 White Paper reconsidered", *Journal of International Development*, Vol. 16 (2004) pp. 933-937.

85 Q 74 [Dr Charlotte Seymour-Smith, DFID India].

making and implementation. Commenting on the issue of social exclusion, Hilary Benn told us:

...the solution in the long term is like all solutions, a question of [helping] those who are on the receiving end of discrimination to acquire a louder voice and to demand a fairer share of their rights in society, their place in society and opportunities for economic advancement. We seek to build that into the programmes we undertake.<sup>86</sup>

Strategies to promote the voice of the poorest groups consist mainly of attempts to develop the capacity of civil society to facilitate poor people's participation, often through the creation of self help groups and other informal political structures. Research has questioned whose voice is really amplified by such strategies, however. In Kerala we heard that while the poor took part in the participatory activities promoted by the State's strategy of decentralisation, the middle class did not, and the very poorest, landless individuals remained 'hard to reach'. John Harriss has argued that in many cases participatory strategies promote the voice of the lower middle classes rather than the poorest of the poor. Harriss contends that the voice of the poorest is heard most effectively through traditional political channels. As these are often riven with patronage and corruption, it would be difficult for DFID to contemplate working through such channels. **We urge DFID to give careful consideration to the question of whose voice they are promoting through their participatory work on social exclusion, and what policy influences they are therefore facilitating.**

45. As well as promoting the voice of socially excluded groups in policy making and implementation, DFID has begun to consider the issue of social exclusion within its own programmes. DFID told us that it has undertaken analysis of the extent to which its existing programmes address the issue of social exclusion, at central and state-level, notably in Orissa. DFID staff in Orissa told us that they were about to undertake a 'gender audit' of their programmes and projects. We anticipate that this exercise will be useful in refocusing the Orissa team's activities. **We recommend that gender and social exclusion audits, or similar exercises, are undertaken throughout DFID's India programme on a regular basis, in order to maintain DFID's focus on these issues.** We hope that such analyses will help DFID to develop its own "listening skills", enabling it to become more receptive to "voices from below".<sup>87</sup>

46. DFID has also begun to take greater account of social exclusion within the new programmes it has developed. The Child Environment Programme, which DFID is implementing with UNICEF, specifically targets SCs. The District Primary Education Programme, which DFID supports, has a budget line explicitly allocating resources to SCs and STs, and the SSA places emphasis on targeting socially excluded groups. Health programmes such as the District Health Management & Sector Reform Programme in MP, and the National Reproductive and Child Health strategy have both emphasised targeted measures for SC and ST groups. **It is a positive sign that DFID has begun to include components targeting socially excluded groups in its projects and programmes. We saw little evidence of the impacts of such initiatives, however. DFID must closely monitor the success of these programmes in reaching the poorest and most marginalised people.**

86 Q 172 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

87 Ev 101 [Dr Michel Pimbert memo].

47. Witnesses generally welcomed DFID's current efforts to work on social exclusion but pushed for the Department to seek new and effective ways of working against social exclusion within all aspects of its work in India. The Dalit Solidarity Network UK said in their memorandum for example, "DFIDI is becoming more focused on the most marginalized groups, although we would argue this should be done more quickly. It is important to engage with civil society, but also to challenge state and government authorities over caste discrimination."<sup>88</sup> We agree. It was evident to us that DFID's work on social exclusion has been constrained by the approach of its main partner, the GoI. In spite of the GoI's policies and programmes since Independence, social exclusion remains a core reason for persistent poverty in India. The GoI's approach to social exclusion is more developmental than political; the focus being on the poverty of socially excluded groups rather than on the structural violence and infringements of civil liberties which reinforce their marginality. DFID seems to have been unable to have much influence on the discourse that frames the government's approach to socially excluded groups. **We saw no evidence that DFID has found a way to work with the GoI which ensures a focus on socially excluded groups. We encourage DFID to increase its efforts to raise the profile of social exclusion and inequality issues with the GoI.**

48. One of DFID's initiatives has been to promote 'rights based' approaches to social exclusion by providing support to civil society groups. Many SC groups are, however, not registered through the official channels that would enable them to receive foreign funding. **We encourage DFID to increase the relatively small budget currently allocated to work with civil society groups representing socially excluded groups.**

49. DFID told us that "Equity is a cross-cutting theme for DFID's India programme" and that "Social inclusion and gender issues are now mainstreamed into all our projects and programme designs and implementation."<sup>89</sup> Though important, **we think that DFID's strategy of mainstreaming gender and social equity throughout its India programme does not give sufficient weight to the significance of these issues.** We are concerned that DFID's 'mainstreaming' approach may risk the Department losing focus on the issues of social exclusion. This is a particular risk with DFID's move away from project approaches and towards macro instruments like Centrally Sponsored Schemes (CSSs). CSSs are broad instruments which enable DFID to redistribute resources to certain sectors but they lose the specificity of context which is vital for effective analysis of social exclusion issues and impacts. **We recommend that DFID makes addressing social exclusion one of the central objectives of its India programme.**

## Governance

50. We heard from many sources that issues of poor governance, including patronage, leakage and 'rent-seeking', impact negatively on the poor in India. Sundeep Waslekar told us that India's "extortion economy" was severely limiting entrepreneurialism and economic growth in India. He argued persuasively that administrative, political and judicial reform would be crucial for future economic growth. DFID told us "Despite being a robust democracy, there are concerns about governance and the political will for

88 Ev 97 [Dalit Solidarity Network (UK) memo].

89 Ev 56 [DFID memo].

sustained reforms in India.<sup>90</sup> N.C. Saxena has argued that deteriorating governance affects the poor in five main ways:

- the poor are vulnerable to rent-seeking behaviour by police and other officials;
- the GoI's social sector spending yields limited benefits, for example teachers and doctors sometimes fail to attend their places of work;
- distrust of government increases and people are less willing to collaborate with government;
- the accumulation of wealth by politicians and civil servants undermines the work ethic; manipulation is seen to be more rewarding than hard work; and,
- poor governance ultimately impinges on economic growth, which harms the poor.<sup>91</sup>

51. There seems little evidence to suggest that dramatic improvements in governance, which have proven unattainable in the past, should be achievable now. Nonetheless, DFID is seeking to address the issue. Hilary Benn told us that India's governance problems will only be effectively addressed once the GoI and individual state governments become willing to tackle the issue:

...on corruption and governance... India is a functioning democracy; there are a lot of checks and balances; there is a lively civil society; but there is also a problem. I think people would recognise that. In the end, states and Governments have to want to be willing to address that.<sup>92</sup>

The new UPA government does seem to have accepted that governance issues are major obstacles to the implementation of pro-poor policies in India. In his first address after taking office, for example, Manmohan Singh said "No objective in the development agenda can be met if we do not reform the instruments in our hand with which we have to work – namely the government and public institutions."<sup>93</sup> The success of the UPA government's intention to reform the system of administration "at every level" is widely seen as critical to improving the delivery of social and economic services to the poor, especially in rural areas. Such reform is also vital to narrow the growing gap between India's under-performing and best performing states.

52. During our inquiry we heard about some specific interventions intended to challenge corruption. Various witnesses told us that corruption is a particular problem in the state of Orissa.<sup>94</sup> We were therefore particularly impressed by the work of the Orissa State Vigilance Department. Mr. G.C. Nanda, Director of the Department, and his colleagues told us about their Department's anti-corruption activities, which include inquiries, both public and secret, and criminal prosecutions of corrupt public sector workers. The

90 Ev 61 [DFID memo].

91 Cited in N.C. Saxena and John Farrington, *Trends and prospects for poverty reduction in rural India: context and options*, ODI Working Paper 198 (2003), p.24.

92 Q 178 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

93 Edward Luce, "Singh makes reform of government his priority", *Financial Times*, 25 June 2004.

94 Ev 95 [Letter from Action Village India].

Vigilance Department has had some success in attracting media attention to its successful prosecutions and anticipates that growing awareness of the Department's work among Orissa's public is likely to have some deterrent effect. Mr Nanda told us however, that the Vigilance Department's work is significantly constrained by the physical capacity of Orissa's legal system. Indeed the backlog of cases pending in Orissa's trial courts is so great that 12% of those accused die before their trial is brought. The recent establishment in Orissa of eight new Special Judge Courts may go some way towards improving this problem, but the situation in Orissa highlights a broader point; that the political will to address issues of governance and corruption in India must be backed by sufficient resources.

53. The work on corruption which we saw in Orissa also drew our attention to the wider issues surrounding India's penal system. Sundeep Waslekar told us that there are currently 33 million court cases pending in the Indian judicial system. The prison population is swollen by this back log of cases; in 2001 71% of inmates were 'under-trials', waiting for their cases to be heard.<sup>95</sup> India's prisons are overcrowded — during 2001 their capacity was exceeded by 37% — and conditions are extremely poor. The problem of overcrowding has been exacerbated by judges' reluctance to grant bail and their unwillingness to explore alternatives to incarceration. Mr. Waslekar told us that the backlog in India's legal system was also contributing to the rise of organised crime in India. He told us this was because people are choosing to settle their cases through recourse to gangs of organised criminals rather than pursuing them in the courts. This, in turn, was contributing to the criminalisation of politics. Other witnesses expressed similar fears about the trend of criminals entering politics in India. Mr. Waslekar argued that a combination of judicial reforms to clear the backlog of cases, administrative reforms to reduce the discretionary power of the bureaucracy, and political reforms to limit the criminalisation of politics, could together double India's economic growth rate from 6 to 12%. The possibility that serious programmes of judicial, political and administrative reform could, of themselves, increase India's GDP by 6% — thereby dwarfing the impact of international development aid — emphasises the need for DFID to show UK taxpayers that its assistance to India is adding value.

54. The poor constitute a disproportionately large number of criminal defendants in India. According to Amnesty International India, these prisoners are often illiterate and unaware of the law or of the working of the legal system.<sup>96</sup> **We think that DFID should involve itself in the issues of judicial and penal reform in India. In particular the Department could engage with the work of India's National Human Rights Commission, which has sought to emphasise the human rights of prisoners. We think that DFID should also encourage the governments of their focus states to push through judicial and penal reforms, and should commit funds to civil society organisations working on these issues.**

55. Although small-scale individual examples of success in addressing governance issues can be identified, there is a broader need for systemic changes to India's political economy.

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95 R.K. Raghavan. "The hell that is prison", *Frontline*, Vol. 21(26), 2004. Available at <http://www.frontlineonnet.com/fl2126/stories/20041231003511100.htm>.

96 Amnesty International, *India: Report of the Malimath Committee on reforms of the criminal justice system: Some observations*, (2003). Available at <http://web.amnesty.org/library/index/engasa200252003>.

DFID told us that the improvement of governance is an issue which is mainstreamed throughout all their programmes.<sup>97</sup> The Department's main strategies for tackling governance issues are to evaluate fiduciary risk before becoming involved in programmes, and to attempt to build effective monitoring and evaluation strategies into those programmes with which they engage. Representatives of UN agencies working in Orissa concurred with DFID's view that monitoring and evaluation must form a key part of strategies to reduce leakage. As Charlotte Seymour-Smith acknowledged though, however well DFID designs its audit tools, it is their implementation which remains the critical factor.<sup>98</sup> Hilary Benn told us "We are very clear about protecting our own money", the implication being that improvements in governance introduced by DFID's programmes might have demonstration effects elsewhere. We hope this is the case, although we have not seen any evidence that it is. UNICEF's representative in Orissa, Mr. Tom Olsen, told us that international agencies, including DFID, would be able to do more to challenge corruption if they collaborated over the issue. **We encourage DFID to explore the potential benefits of collaborating with other donors and agencies to address governance issues.**

56. Naturally DFID staff engage with government ministers at central level and principal secretaries at state-level in the course of delivering their programme of assistance to India. DFID told us that it is also making attempts to engage with Members of the Legislative Assemblies (MLAs) of their focus states, and with MPs at national level. Such initiatives appear to be limited and in their early stages, and we did not see any evidence of their outcomes. We think it is important that DFID develops relationships with members of India's state assemblies and national parliament, particularly in light of DFID's new 'Drivers of Change' initiative. **The scrutiny undertaken by state legislative assemblies and India's national parliament form essential parts of India's system of governance. It is therefore important that DFID develops its efforts to raise the profile of development issues with MLAs and MPs.**

### **Privatisation or 'disinvestment'**

57. In line with GoI thinking, DFID has focused its money and attention on the key governance issues of inefficiencies in the public sector and huge subsidies in the para-statal energy sector. Although politically difficult, the closure or privatisation of loss-making public sector enterprises, and the reduction of subsidies to industries where the evidence of leakage is clear, are likely to be key to promoting pro-poor development in India.<sup>99</sup> Where privatisation has occurred in India, it has taken the form of 'fiscally induced privatisation'; the disinvestment of the Government's stake in public enterprises with no significant change in the way these do business. Disinvestment is a contested issue, and the progression of government policy on the issue has been hampered by the nature of coalition politics in India.<sup>100</sup> In sectors such as power there is a clear need for private international investment. Michael Lipton told us that, as yet, Indian politicians have not

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97 Q 178 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

98 *Ibid.*

99 Q 19 [Dr Michael Lipton CMG, University of Sussex].

100 Q 97 [Dr Rathin Roy, Development Economist].

been prepared to take the tough decisions which might create the conditions to attract such investment.<sup>101</sup>

58. During our visit to AP we heard about the implications of reforming the State's power sector for pro-poor development in the State, and DFID's involvement in this process. This case illuminates some of the issues around public sector reform in India. For many years, economic growth in AP has been constrained by the poor quality service provided by its power sector. A significant proportion of the State budget has been consumed in covering the utility's financial losses, and in providing heavily subsidised power to farmers. This has squeezed out other spending, including that on poverty reduction programmes. DFID has seen reform of the power sector as important for sustained poverty reduction and growth in its focus state. The Department has therefore been keen to support structural, regulatory and governance reforms to improve access, availability and quality of power in AP. The GoAP sees DFID's technical assistance as crucial in encouraging competition through the creation of a multi-buyer sector in the electricity market. Some commentators however, have criticised DFID's power sector reform agenda in AP as being too radical and overly influenced by the World Bank's perspective.<sup>102</sup>

59. As part of its 'Vision 2020' modernisation strategy (discussed further in paragraphs 74–78), AP's last government pursued power sector reform strongly. Efficiency gains were rigorously pursued, reducing transmission and distribution losses from nearly 37% to around 26%, and achieving a 60% increase in revenue. Despite rising electricity prices and strong public feeling against reforms, the new GoAP, elected in 2004, said that it would continue to pursue efficiency gains in the electricity sector. The GoAP's pursuit of this reform was hampered however, by its fulfilment of a manifesto commitment to provide free power to all farmers. The GoAP explained this populist policy as a "much needed relief measure due to extremely hard drought conditions (and resultant indebtedness) prevailing in the State which were leading to mass suicide by farmers."<sup>103</sup> We spoke to the Energy Secretary who was keen to play down the policy's cost. He told us that there was little difference between the subsidy previously given to farmers (who paid only 0.36 rupees per unit, in comparison to the industry cost of 4 rupees per unit), and the provision of free electricity. Agricultural development during the last decades, however, has presupposed the availability of free power for new electrical bore wells, and the new policy has put a strain on supply. Towards the end of 2004, it seemed that the GoAP had begun to realise that the provision of free power might be operationally and financially unsustainable. Press reports suggested it was reviewing its subsidy.<sup>104</sup>

60. The dilemma for the GoAP has been how to restructure its electricity industry, to build generating capacity and attract FDI, without alienating a major section of its electorate. The dilemma for donors is whether to continue providing assistance to power sector reform in AP, now that confidence in AP's reform process has been undermined by the actions of the State's newly elected government. The World Bank withdrew its financial support from AP immediately after the GoAP announced its new policy of 100% subsidy.

101 Q 19 [Professor James Manor, University of Sussex].

102 Ev 95 [Letter from Action Village India].

103 Government of Andhra Pradesh, Department of Energy, *Power sector reforms in Andhra Pradesh and the role of the Government of the United Kingdom* (undated).

104 "Farmers fail to reap poll rewards in rural Indian state", *Financial Times*, (10 December 2004).

It is now considering whether to reinstate its financial assistance if the subsidy is withdrawn. In January 2005 the GoAP announced a number of modifications to its power subsidy policy. These were designed to limit the benefit of free power to poor farmers and also provide incentives to reduce the demand for power.<sup>105</sup> The revisions are welcome but DFID will still need to assess whether power sector reform in AP is making sufficient progress, and having sufficiently pro-poor impacts, for the Department to continue allocating the resources to provide technical assistance to the programme.

## The role of trade and the private sector

61. Over the past two decades, the growth of India's economy and reductions in its levels of poverty have been associated with the opening of its markets. This has been reflected in the doubling of India's trade to GDP ratio, from an average of 15% between 1980 and 1989 to around 30% in 2000–2001.<sup>106</sup> Through the dynamism of its private sector, India has established strong comparative advantages in IT and IT-enabled services, biotechnology and the production of generic pharmaceuticals. These developments, which seem set to continue, are likely to have positive impacts in terms of growth and poverty reduction. The opening up of India's economy has not had beneficial impacts in all states, however. In Kerala for example, some commentators have suggested that FDI and technical know-how are by-passing the State.<sup>107</sup> Even where the opening of markets has had beneficial impacts, these may be constrained by issues of governance, and by policy, regulatory and infrastructural constraints. DFID told us that it sees the removal of such constraints as a high priority for poverty reduction in India.<sup>108</sup>

62. One sector in which India has emerged as global leader is that of Business Process Outsourcing. The loss of jobs resulting from outsourcing to India and other developing countries has become an issue of increasing concern among trade unions in the UK.<sup>109</sup> HMG has acknowledged however, that outsourcing is a business driven strategy which enables UK companies to remain competitive.<sup>110</sup> The trade body for the Indian outsourcing industry, the National Association of Software and Service Companies (NASSCOM) argued in their memorandum to the Committee that outsourcing can be a 'win-win' relationship for the UK and India.

63. NASSCOM also told us that "Whilst aid is important, the potential mutual benefits of trade between the UK and India dwarf the impact of any government assistance."<sup>111</sup> We agree, and were therefore encouraged to hear that DFID is engaging in trade issues by working with other agencies which have a comparative advantage in the sector. For example, DFID is undertaking a project with UNCTAD (the Pro-poor Globalisation Support Fund), to provide the GoI with analysis on maximising the pro-poor impacts of

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105 See letter from the Secretary of State for International Development, the Rt Hon. Hilary Benn MP to the Chairman of the International Development Committee, Tony Baldry, not printed, placed in the Library.

106 Ev 96 [Asian Development Bank memo].

107 Discussion seminar on "Sustainability of the Kerala model" (Trivandrum, 21 October 2004).

108 Ev 67 [DFID memo].

109 See for example a selection of articles from BBC news online: <http://news.bbc.co.uk/1/hi/business/3472491.stm>; [http://news.bbc.co.uk/1/hi/uk\\_politics/3468705.stm](http://news.bbc.co.uk/1/hi/uk_politics/3468705.stm); and, [http://news.bbc.co.uk/1/hi/world/south\\_asia/3258080.stm](http://news.bbc.co.uk/1/hi/world/south_asia/3258080.stm).

110 See [http://news.bbc.co.uk/1/hi/world/south\\_asia/3457641.stm](http://news.bbc.co.uk/1/hi/world/south_asia/3457641.stm).

111 Ev 98 [National Association of Software and Service Companies (NASSCOM) memo].

trade and globalisation. Although we support DFID's involvement in such projects in India, we note that UK companies which source goods and services from India also have a significant role to play in promoting the interests of India's poor. Programmes such as the Ethical Trading Initiative demonstrate that UK companies are increasingly acknowledging their responsibility to trade ethically, and to take account of issues such as child labour and the environment. **We encourage DFID to work with UK companies to help them maximise the pro-poor benefits of their engagement with India.**

64. DFID told us that India's private sector is becoming more proactive in addressing the issues of poverty and development,<sup>112</sup> and that DFID has proposed a project (which is yet to be approved by the GoI's Department of Economic Affairs), to support and encourage the private sector to undertake activities that will impact positively on the MDGs.<sup>113</sup> In UP we heard about DFID's collaboration with the Small Industries Development Bank of India (SIDBI) to build capacity in India's microfinance sector. We are pleased that DFID is attempting to develop initiatives which will encourage India's private sector to maximise the pro-poor impacts of its activities, and encourage it to continue doing so.

### The role of remittances and the Indian diaspora

65. As we discussed in our recent report on migration and development, internal migration is common in India. Temporary and permanent migration have long been used by poor people as strategies to cope with seasonal changes in the availability of employment.<sup>114</sup> International migration also has significant impacts on the lives of poor people in India. In the State of Kerala, for example, migration has been an important safety valve for the State's well educated population. We were told that remittances from non-resident Keralites working in the Gulf make up nearly one quarter of the State's income. Migration creates problems of its own, however, We were told of the health problems of migrants returning to Kerala, and the mental health problems of women whose husbands were abroad.

66. The 23m. NRIs worldwide have assets estimated to amount to roughly one third of India's GDP.<sup>115</sup> According to the Reserve Bank of India, India received \$18.2bn. in formal remittances during 2003. This figure represents 3.5% of India's GDP, almost ten times the total overseas development assistance which the country receives. Informal remittances, transferred through the 'hawala' mechanism, are even more significant. DFID told us of research which found that "informal, pre-9/11 remittance transfers may have amounted to ten times formal remittances, falling to around five times formal remittances post-9/11. This suggests some \$50 – \$100 billion transferred into India by informal mechanisms."<sup>116</sup> The GoI is already taking steps to encourage NRIs to increase their involvement in India; in 2004 it created a new Ministry of Non-Resident Indian Affairs, and there is currently a dual nationality bill before the Lok Sabha.

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112 Ev 61 [DFID memo].

113 Ev 69 [DFID supplementary memo].

114 IDC, Sixth Report of Session 2003-04, *Migration and Development: How to make migration work for poverty reduction*, HC 79-I paragraph 16. Available at <http://www.publications.parliament.uk/pa/cm200304/cmselect/cmintdev/79/79.pdf>.

115 Edward Luce, "India to widen offer of dual nationality", *Financial Times*, 8 January 2005.

116 Ev 90 [DFID further supplementary memo].

67. The developmental impacts of the funds remitted to India are hard to assess. Remittances are not evenly distributed socially or spatially in India. The poorest Indians rarely benefit from remittances as they lack the seed capital to migrate in search of better-paid work in the first place. The poorest individuals and areas are therefore rarely in receipt of remitted funds. Nonetheless, DFID told us that they see NRIs as an important catalyst for development in India and “a significant source of finance and ideas.”<sup>117</sup> Although others we met during our visit saw NRIs as unreliable, and were therefore sceptical about the role they might play in India’s development, **we encourage DFID to work with NRIs and South Asian diasporic organisations in the UK, in order to maximise both the level of funds remitted to India, and the pro-poor impacts which those funds have.** Broader work to improve India’s investment climate will also be necessary if NRI capital is to be attracted to India.

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117 Ev 71 [DFID supplementary memo].



## 4 DFID's programme in India: working with government and other donors

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68. The Indian state is often described as quasi-federal because of the strength of the central government within its federal structure.<sup>118</sup> Aspects of this structure, including tensions between the centre and the states, and the distribution of functions and sources of revenue, are significant for India's development planning and hence for international donors. For example, most aspects of health and education are devolved to the states, but revenue accrues mainly to the central government, which undertakes most of India's overall strategic policy development.<sup>119</sup>

69. A key issue for our inquiry was whether DFID is achieving a suitable balance between work through central government and direct work with individual states. Over the past four years, DFID has strengthened its four focus state programmes, but it is now increasing funding to its National Programme (see Table 1). During our inquiry, it became clear that this recent shift was influenced by pressure exerted by the GoI, as much as by strategic planning on DFID's part. Hilary Benn told us that in his view "the balance between the centre and the states, the 50/50 split that [DFID is aiming to achieve] is... the right one."<sup>120</sup> **Although probably sound in principle, we did not hear a convincing case for DFID's decision to create a 50/50 balance in its distribution of funds between its National and state programmes. We are concerned that the budgetary shifts which this policy entails should not be implemented too hastily.**

### Working with central government

70. Research has argued that there are three main forms of development assistance:<sup>121</sup>

- First, working *with* government. This approach is exemplified by Poverty Reduction Budget Support. It relies on the recipient government's aims being broadly in line with the donor's, because once a poverty reduction strategy is agreed, the aid donor does not try to change or go against government intentions.
- Second, working *through* government. This approach is where the aid donor persuades the government to implement policies which the donor has chosen, in order to maximise the pro-poor nature of expenditure. This strategy may be undermined by the fungibility of aid.

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118 Q 1 [Professor James Manor, University of Sussex].

119 West Bengal's health policy, for example, is clearly related to the GoI's health policy. In practice it would be difficult for a state's sectoral policy to run counter to a national policy, although there are exceptions to this rule, including land reform policies in Kerala.

120 Q 171 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

121 Paul Collier and David Dollar, "Development effectiveness: what have we learnt?" *Economic Journal*, Vol. 114 (2004), pp.244-271; Edward Anderson, Sven Grimm and Carlos Montes, *Poverty Focus in EU support to Middle-Income Countries*, London: ODI with Development Strategies (October 2004).

- Third, working *around* government. This is where the aid donor works through non-governmental organisations and institutions, because the government does not share the donor's intentions. This approach however, runs the risk of weakening democratic accountability, and thereby hindering the development of sustainable and effective governance. Good governance, which is vital to development, cannot be achieved if local structures of democratic accountability are undermined.

71. Several witnesses told us that the strength and independence of India's central government precludes the possibility of direct policy influence, or working *through* central government. James Manor, for example, commented that "the Government of India... is an enormous entity and very hard for any outsider to influence." On the basis of what DFID sees as the GoI's broadly pro-poor agenda,<sup>122</sup> the Department delivers its National Programme primarily by working *with* the government. Given the political realities of working in India, and the enormous size of the country, DFID's decision to work with the GoI was probably inevitable. The question that remains, however, is over *how* DFID chooses to work with the GoI. DFID's influence on the GoI's development agenda occurs through a subtle interaction based on long-term partnerships, conferences, knowledge dissemination and lesson learning from DFID funded project-based innovations. In terms of policy, to date, DFID has sought to reinforce the GoI's existing focus on reducing income poverty. Both DFID and the GoI have paid relatively less attention to the issues of social exclusion and inequality. As we said in Chapter 3, we think DFID ought to place a higher priority on addressing social exclusion and issues of equity in India.

72. DFID's decision to move towards a 50/50 balance between central and state programmes is an acknowledgement of the importance of GoI policies for the state-level development process. State-level sector policies are usually greatly influenced by the GoI's central sector strategies. Apart from anything else, many State governments are in deep financial crises and have little choice but to concentrate on development initiatives where GoI funding or international donor funding is available. DFID has sought to maximise its impact at the central level by focusing on a few sectors, particularly education and health. Dr. Mark Robinson, a research fellow at the Institute of Development Studies, told us that working through Centrally Sponsored Schemes (CSSs) had been a positive move for DFID, enabling them to influence both policy and delivery mechanisms more strategically. Dr Robinson did not, however, provide us with any direct evidence to back up his assertions.<sup>123</sup> While it is evident that working through CSSs allows DFID to work on pro-poor issues and in geographical areas in which they would otherwise have little presence, we saw little evidence of the impact which DFID claims to have had on these schemes. We are also concerned about the lack of evidence available that CSSs have had pro-poor impacts. We discuss these problems in more depth in paragraphs 92–100.

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122 As discussed previously, some commentators believe that the May 2004 electoral victory of the UPA government will result in a shift in India's development agenda. Whereas the NDA insisted that India was "shining" economically, initial policy statements from the UPA conveyed a recognition that not all India's citizens have felt the benefits of India's economic development, and indicated a reprioritisation of the needs of the rural poor. In December 2004 however, Manmohan Singh announced the introduction of an employment guarantee bill which appeared to fall well short of the promise of a statutory right to 100 days of employment a year for every poor household, on which the Congress party campaigned [Edward Luce and Ray Marcelo, "Attack on India's 'diluted' employment bill", *Financial Times*, 8 December 2004].

123 Q 91 [Dr Mark Robinson, University of Sussex].

## Working with state governments

73. DFID currently has four 'focus states': AP, WB, Orissa and MP. The Department explained their rationale for engaging with individual states in terms of the greater impact which their work can have at state-level.<sup>124</sup> This is both because state governments are responsible for the implementation of most development-related policies, and because many of the critical constraints to development lie at state level. DFID works through different strategies at different levels of government. As far as we could see, DFID's work at state-level consists of influencing the mechanisms for programme delivery, monitoring programme implementation and facilitating coordination, rather than through policy influence. DFID told us that there was scope for them to engage in policy dialogue at state level, but we were not shown any direct evidence of DFID's impact on state-level policy development.

74. DFID's original selection criteria for their four target states were: high levels of poverty, good state governance, and the history of states' previous relationships with DFID (as a proxy for DFID's comparative advantage).<sup>125</sup> During our visit to India we saw evidence of the success of DFID's 'flagship' state, AP. As discussed in Chapter 1, AP does not have particularly high levels of poverty. Instead it seems that AP's reform-minded government and good governance were key factors in DFID's decision to make the State one of their focus states. In 1999, the GoAP launched a strategy paper, entitled 'Vision 2020'.<sup>126</sup> This envisaged that together, the rapid development of the industrial and service sectors of AP's economy, the modernisation of agriculture and the development of a state-of-the-art governmental sector, would lead to the total eradication of poverty in the State. Since 1999, Vision 2020 has been implemented through a diverse range of government sector strategies, including poverty reduction, e-governance and power sector reforms (discussed in paragraphs 58–60).

75. DFID chose AP as a focus state in 1999 on the basis that they would be able to have a meaningful dialogue with the State's government, and be able to encourage the processes of reform which were already occurring under Vision 2020.<sup>127</sup> To this end, between 1999 and 2004, DFID invested over a third of its total India programme spend (a total of £248m.) in AP (see table 1). Together with the World Bank, DFID has been the principal advocate of AP's government reforms and market-led development. DFID has supported high profile reform initiatives including the expansion of e-governance and the creation in 2001 of a think tank, the 'Centre for Good Governance'.<sup>128</sup> It remains difficult, however, to assess what role (if any) DFID played in the success of AP's reforms.

76. Vision 2020 has been a somewhat controversial policy due to its strongly modernist approach. Its predictions that within 20 years, the proportion of AP's population engaged in farming would decrease from 70% to 40%, and that large-scale farming using modern technologies would become the norm, have been criticised for neglecting the needs of the

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124 Ev 55, 60 [DFID memo].

125 Ev 60 [DFID memo].

126 Available at <http://www.aponline.gov.in/quick%20links/vision2020/vision2020.html>.

127 Ev 64 [DFID supplementary memo].

128 See the Centre for Good Governance's website at [http://www.cgg.gov.in/cgg\\_home.html](http://www.cgg.gov.in/cgg_home.html).

existing rural population.<sup>129</sup> DFID has sought to counter criticism of its involvement with Vision 2020 by supporting livelihoods projects and poverty reduction programmes as well as budgetary, governance and sector reforms. It has worked to maximise the pro-poor impacts of the GoAP's reform strategy. In light of AP's successful reforms, DFID is now planning to taper its programme in the State. Nonetheless, we think that questions remain about DFID's original decision to invest so heavily in a single state. It is not clear why the focus state with the lowest proportion of income-poor people has received the majority of DFID's development assistance. The Department's allocation of assistance seems even more extraordinary if it is considered that AP has, for some time, been the focus of considerable attention from other donors. In 2003/4 for example, loans and grants to AP totalled £418m.<sup>130</sup> **Given the substantial aid investments which DFID has made in AP, we are concerned by the paucity of evidence that these have delivered pro-poor results.**

77. DFID justify their policy of targeting reforming states, such as AP, on the grounds that this ensures that DFID's aid is "well used"<sup>131</sup> and provides an incentive to other states to engage in reform. Aruna Bagchee, a Senior Governance Adviser for DFID in India told us, for example "there is the question of, do you work only in those states which are difficult and where the money may not be as effective versus working with those states where there is reform and you want to commend further reforms."<sup>132</sup> Other commentators have suggested that 'cherry picking' of states perceived to have a commitment to economic and political reform has been a risk management strategy on the part of donors who are being forced to become more and more accountable to home constituencies.<sup>133</sup> Providing support to states with pro-reform, market-oriented administrations also entails the risk of DFID being accused of ideological bias. We understand that it is easier for DFID to work in states characterised by good governance. However, **we think that DFID's decision to direct a very large proportion of its India budget into a single state programme ought to have been better justified, given the considerable cost to the UK taxpayer involved.** Also, as we have observed in reference to DFID's broader aid allocation policy elsewhere, targeting the best performing states leaves the question "what is on offer for the poor performers?"<sup>134</sup> **We are concerned that DFID's policy of supporting reforming states should not exacerbate the already growing inequalities between states in India.**

78. DFID asserts that its projects and programmes in India "are not considered significantly vulnerable to changes in governments."<sup>135</sup> During our inquiry we heard of concern that DFID's policy of supporting states with reforming governments could be derailed by changes of administration. These concerns were prompted by the change of government which occurred following the 2004 state elections in AP. The new GoAP has

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129 George Monbiot, "This is what we paid for; Britain's foreign aid has been used to bankroll a programme for mass starvation" *The Guardian* (14 May 2004). See also Priya Deshingkar and Craig Johnson, *Poverty reduction in Andhra Pradesh: the real concerns*, ODI (2002). Available at <http://www.odi.org.uk/Livelihoodoptions/papers/Guardian%2011.doc>.

130 Ev 64 [DFID supplementary memo].

131 Q 39 [Dr Charlotte Seymour-Smith, DFID India].

132 Q 45 [Mrs Aruna Bagchee, Senior Governance Adviser, DFID India].

133 See footnote 49.

134 IDC, Eighth Report of Session 2002-03, *DFID: Departmental Report 2003*, HC 825 p.15. See also IDC, Sixth Report of Session 2001-02, *Department for International Development (DFID): Departmental Report 2002*, HC 964.

135 Ev 61 [DFID memo].

reduced the State's focus on the Vision 2020 strategy, and reversed some of the previous government's policies which had been supported by DFID, most notably those on power sector reforms (see paragraphs 58–60). Most policy areas however, have not seen dramatic policy changes. Nonetheless, the change of government in AP does highlight the risk which DFID took in selecting its focus states on the basis of their pro-reform administrations.<sup>136</sup>

79. Some witnesses told us that there was a question over whether DFID was engaging with the right four states.<sup>137</sup> Actionaid for example, told us that donors' state-focused support in India had been provided on the assumption that different donors would work in different states, but argued that this assumption had not been born out. Furthermore they suggested that the withdrawal of government-to-government financial assistance by all but five other donors — in response to the NDA government's shift in aid policy — should provide the impetus for DFID to reconsider which states it should focus upon.<sup>138</sup> We understand from DFID that they have no plans to develop any new focus state programmes.<sup>139</sup> They told us that this was because of the time it would take for them to develop a partnership with a new focus state, and the likely time limit on their future engagement with India. We also heard that the GoI was becoming increasingly unhappy with donors' growing desire to 'cherry pick' the most reforming states in which to deliver their programmes.<sup>140</sup> We agree that it would not be sensible for DFID to develop new focus states at this stage, if it anticipates a complete withdrawal from the country within the next ten years. If this is not the case however, then we think that timescale should not be seen as an impediment to the development of further focus state programmes. Whether focus state programmes are the most effective way to deliver DFID's assistance to other states is of course another issue.

80. A number of people we met during our visit identified UP and Bihar as states in which they felt DFID should be engaging. DFID staff themselves told us that India's MDG targets could not be met if they were not met in UP and Bihar. Nearly half of India's poor people live in these large and populous states, where service delivery is dysfunctional, governance is poor and allegations of criminality in politics are rife. Given the 'difficult environment' which exists in these states, DFID has indicated it is unlikely that it would wish to develop a 'partner' relationship with their governments. Nonetheless it seems clear that in the future, effective poverty reduction work in India will necessitate engagement with UP and Bihar.

81. Any move by DFID to engage in UP and Bihar would obviously require careful analysis and planning. It might draw lessons from the World Bank's Lower Income Countries Under Stress (LICUS) methodology, as well as from DFID's own work on development interventions in conflict areas.<sup>141</sup> We were pleased to hear that DFID has established a Working in Difficult Environments (WIDE) task team to look into the possibility of

136 Q 15 [Dr Michael Lipton CMG, University of Sussex].

137 Q 15 [Professor James Manor, University of Sussex and Dr Michael Lipton CMG, University of Sussex].

138 Ev 93 [ActionAid India memo].

139 DFID told us that the AP programme is currently scheduled to end in 2007, and that it seems likely that DFID's involvement with the state may be tapered from that date. Although DFID is planning to invest heavily in West Bengal over the next few years, it seems probable their programme might be tapered from 2010, if trends continue as at present. Both Orissa and MP are making less progress, and DFID told us it anticipates remaining engaged with both states for the foreseeable future.

140 See footnote 49.

141 See <http://www1.worldbank.org/operations/licus/> and for an example of DFID's work on conflict <http://www.dfid.gov.uk/pubs/files/conflictassessmentsynthesis.pdf>.

expanding its engagement with the two states. It is encouraging that the World Bank is also looking into this possibility. We were impressed by the polio eradication programme which DFID is funding UNICEF to deliver in UP,<sup>142</sup> and believe that working in this way through partner agencies may be one of the most appropriate and effective ways for DFID to expand its engagement with UP and Bihar. Engaging other organisations as ‘drivers of change’ to work on DFID’s behalf makes particular sense where these agencies have already established a comparative advantage by working in particular locations. Another possibility might be for DFID to work with individual government organisations and specific district administrations (as the Dutch have, in the past, done in Kerala). **We recommend that in UP and Bihar, DFID should work through certain, carefully selected state organisations and district administrations, as well as with international NGOs and UN agencies.** The recent announced move by DFID to provide funding to the State AIDS Control Societies of UP and Bihar<sup>143</sup> reflects the model we have in mind here.

82. Another sensible strategy would be for DFID to develop its work with civil society organisations, work which it has already begun through its Poorest Areas Civil Society (PACS) programme. Of the 89 projects currently funded through the PACS programme, 24 are in UP and 19 in Bihar. During our visit to India, we were told of two constraints on DFID’s work with civil society:

- first, GoI concerns about donor engagement with civil society organisations make such work bureaucratic and time-consuming;
- second, engagement with civil society is intensive in terms of DFID’s human and financial resources.

As discussed further in paragraphs 123–124, however, we think neither of these constraints should be seen as sufficient to prevent DFID expanding its PACS programme, which we strongly encourage it to do.

83. During our visit we observed marked disparities in levels of poverty within individual states. It was put to us that DFID’s work might impact on the lives of more poor people if the Department were to target specific pockets of poverty in a wider range of states than its current four. Dr. Michael Lipton told us however, that “There would be a loss of focus if DFID were to say they will go to any pocket of poverty. Supposing that instead of four states you had 20 pockets of poverty, it would be very difficult to get an effective management of a programme like that.”<sup>144</sup> The Asian Development Bank (ADB), which has also taken a focal state approach, endorsed this view.<sup>145</sup>

84. The ADB also commented however, that “while the ‘focal state approach’ has several advantages, donors should ensure that there is a fair spread of their assistance across states.”<sup>146</sup> DFID told us that they endeavour to achieve such a ‘fair spread’ by working with

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142 See paragraphs 110-111 for a more detailed discussion of this programme.

143 S. Jha “DFID to help Bihar, UP combat AIDS”, *Times News Network* (9 January 2004).

144 Q 17 [Dr Michael Lipton, CMG, University of Sussex], see also Q 15 [Professor James Manor, University of Sussex]. For a summary of the activities of the main bilateral donors in India, see table 3.

145 Ev 96 [Asian Development Bank memo].

146 *Ibid.*

NGOs and through their National Programme. During the course of our visit to India we were shown evidence of massive poverty in states where DFID does not have focus state programmes. We were therefore pleased to hear that under its 2004–2008 India CAP, DFID is “refashioning a strengthened National Programme”.<sup>147</sup> We were surprised to learn, however, that DFID is planning to almost double the budget of its National Programme in the next financial year from £79 m. in 2003/4<sup>148</sup> to £147 m. in 2004/5.<sup>149</sup> **Given what DFID told us about the success of its individual state programmes, we feel that the Department has not adequately justified and explained its decision to double its spending through its National Programme in 2004/5. We hope that this funding decision has been made on its own merits and not determined by the GoI’s changing priorities on the provision of aid.**

### Working with the World Bank and other agencies

85. DFID has worked with a number of UN agencies and bilateral donors, as well as with the Asian Development Bank and World Bank. In each partnership they seek to take account of the comparative advantages of their partner agencies. Following the GoI’s 2003 shift in aid policy (discussed in paragraphs 32–33), many small bilateral donors are now in the process of withdrawing from India. This has had the effect of diluting donor voice on issues including gender and human rights. Of the six bilateral and two multilateral donors which have been asked to remain, only the World Bank’s programme is similar to DFID’s in terms of policies and instruments (see Table 3). Charlotte Seymour-Smith told us that DFID in India has “a very close relationship with the World Bank and constant dialogue with them.” She argued that this collaboration strengthens the work of both organisations, allowing DFID to “broaden and deepen [the Bank’s] focus on poverty reduction.”<sup>150</sup> It seems likely that the World Bank’s recent decisions to move away from a focus state approach and to investigate the possibility of expanding its engagement in UP and Bihar,<sup>151</sup> have influenced DFID’s thinking on these issues, which, as noted above, appears to be moving in the same direction.

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147 Ev 56 [DFID memo].

148 DFID, *India Country Plan*, (February 2004). Available at <http://www.dfid.gov.uk/pubs/files/capindia.pdf>.

149 Ev 62 [DFID supplementary memo].

150 Q 71 [Dr Charlotte Seymour-Smith, DFID India]

151 “World Bank chief heaps praise on India’s development blueprint”, *Financial Times* (20 November 2004).

Table 3: Remaining donors

Country/ Agency	Total assistance 2003/4 (loans and grants; \$ m)	Main areas of support	Focus states
World Bank (IBRD and IDA)	2133 (1,188 and 945)	Access to services for poor people and sustainable pro-poor economic growth. Infrastructure, health, urban and rural livelihoods.	Orissa, AP, UP
Japan (JBIC)	734	Large scale infrastructure, with limited funding to rural development	None
Asian Development Bank (ADB)	608	Infrastructure and economic growth promotion.	North-eastern states, WB, MP
DFID	286	Poverty reduction through support for social sector initiatives. Support for economic reforms, particularly in fiscal policy and the power sector.	Orissa, UP, AP, WB
Russian Federation	173	No information	None
Germany (GTZ)	105	Economic co-operation (energy and financial sectors), rural development, health and microcredit	None
EU	30	Economic co-operation, trade and regulation. Via NGOs.	Rajasthan and Chattisgarh
USAID	25	Broad based and strategic. Technical assistance on health.	None

Source: Gareth Price, *India's aid dynamics: from recipient to donor? Asia Programme Working Paper, Chatham House (2004)*

86. We heard of concern from other agencies, GoI officials and NGO representatives, regarding the closeness of DFID's relationship with the Bank.<sup>152</sup> The UNDP for example, whose agenda is close to that of the GoI, has been particularly critical of DFID's closeness to the Bank on issues relating to public sector reforms. DFID's profile is already lower in India than in other, more aid-dependent countries. This is not least because of the organisation of its programme, with engagement at the central level restricted to a few sectors, and a minimal physical presence within the Department's four focus states. We heard that DFID's organisational identity in India had become even less distinct as a result of its close relationship with the World Bank. James Manor told us that DFID would do better to distance itself from the World Bank, arguing that although the Bank is better resourced, DFID is "less economic, less narrow in its perceptions and more sophisticated, more creative." In oral evidence to the Committee, Hilary Benn rejected any suggestion that DFID's relationship with the World Bank might be problematic.<sup>153</sup> **We can see the merit of DFID's close relationship with the World Bank, but are concerned that**

<sup>152</sup> Ev 94 [Letter from Action Village India].

<sup>153</sup> Q 162 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

**this should not be allowed to undermine either the distinctiveness of the DFID's work in India, or understanding of DFID policies among donors and civil society.**

87. While in India, we were concerned to hear anecdotal evidence that some bilateral donors view DFID as somewhat aloof and as reluctant to engage and share information with other agencies. Dialogue with other donors is essential to minimise overlap and promote lesson learning. This is especially the case regarding donors working in the same sectors or with the same government organisations. We were encouraged to hear that DFID has drawn on USAID's experience of developing a health-related intervention in UP, the State Innovations in Family Planning Services Project (SIFPSA), to inform its own deliberations about engaging in the state, and recommend that similar practices be followed elsewhere.

88. The extent of DFID's collaboration with UN agencies seems to vary geographically. In UP we saw how close and effective partnership between DFID and UNICEF had facilitated the delivery of a polio eradication programme. In Orissa, Tom Olsen of UNICEF told us that DFID had coordinated well with UN agencies over the provision of disaster relief in the state. He argued however, that there was potential for much greater harmonisation between aid agencies in the interim periods between disasters. We were pleased therefore to hear about the 'Development Partner Forum' which DFID intends to develop in Orissa, to discuss how best the State government can be supported to achieve MDGs, and the practicalities of working together. We encourage the Department to pursue all such opportunities for donor collaboration.



## 5 DFID's programme in India: the nature of engagement

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89. It is right that DFID works through a variety of aid instruments at a range of scales; selecting their instrument on the basis of their particular objectives in each different context. A key issue for our inquiry was whether DFID was achieving the right balance between different aid instruments within their India programme, and whether these instruments were being deployed on the basis of appropriate evidence.

### Poverty Reduction Budget Support and aid conditionality

90. In recent years, DFID has moved in the direction of providing more of its aid in the form of Poverty Reduction Budget Support (PRBS).<sup>154</sup> PRBS refers to funds supplied directly to a Government's Budget, to support its efforts to reduce poverty. DFID told us that whereas in Africa, budgetary support is used to address long-term financing gaps in the public sector, in India it has been mainly used at state-level "to assist with the costs of reform and to provide an incentive for state governments to take difficult decisions and tackle harder reforms."<sup>155</sup> PRBS has also been used to allow state governments to increase spending in key development areas and to substitute for higher cost financing. DFID told us that PRBS provided "an opportunity for donors to engage in a broader range of policy dialogue than is normally afforded by projects," although as mentioned in paragraph 27, the influence which DFID is able to have over policy making at any level in India is always limited.

91. DFID has never attempted to use PRBS as an aid instrument at a central level in India, although it provides programme-specific budgetary assistance at central level and, until recently provided PRBS to two of its focus states (Orissa and AP). In 2004 however, the Ministry of Finance told DFID that it should no longer provide bilateral grant assistance as PRBS to individual states. DFID told us that this pronouncement was being questioned by state governments who would prefer to continue receiving PRBS, but that it seems "very likely" the GoI will stick by its decision. Assuming this is the case, DFID plans, wherever appropriate, to redistribute funds provisionally allocated to PRBS to state-level sector budget support in four sectors: health, education, rural and urban poverty reduction.<sup>156</sup> Providing support to sectoral budgets may enable a state to reach the minimum contribution threshold which will allow them to draw down the maximum allocation of funds from the GoI for a particular CSS. Without donor support, the imperative for states of reaching these thresholds, in order to maximise their total available budget, makes it difficult for them to plan their future investments strategically, and can encourage fiscal irresponsibility. **We think it is sensible for DFID to reallocate funds previously directed though PRBS to the state-level budgets needed in order to secure the release of centrally sponsored scheme funds.**

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<sup>154</sup> IDC, Eighth Report of Session 2003-04, *DFID: Departmental Report 2004*, HC 749, paragraph 53.

<sup>155</sup> Ev 64 [DFID supplementary memo].

<sup>156</sup> Email communication from DFID India to the Clerk of the Committee, not printed, placed in the Library.

## Programmatic support; Centrally Sponsored Schemes

92. Responding to critiques of narrow, project-based development interventions, international donors have, over the last ten years, begun to shift their support towards broader sector wide approaches (SWAPs). In many countries, donor understandings of what constitutes a sector are wider than government understandings. A health SWAP, for example, might include work on sanitation and water purity, whereas a government's health ministry might purely address medical service provision. In India, the size and strength of the GoI is such that, in practice, donors' sectoral approaches tend to conform with government-defined sectors, as defined by the GoI's Centrally Sponsored Schemes (CSSs). Employed since India's first five year plan (1951–1956), these are national programmes which are incorporated into state-level policies.<sup>157</sup> The GoI currently allocates RS 250bn. (£3.5bn.) annually to its CSSs. Some CSSs are wholly funded by the national government, but most involve state counter-funding.

93. DFID has sought to maximise its influence on the delivery and monitoring mechanisms of CSSs by strategically focusing on schemes within the sectors of health and education. DFID told us that GoI officials value the Department's involvement in CSSs because of the monitoring conditions which DFID imposes. Without DFID establishing these conditions as requirements of their assistance it would be politically unacceptable for them to be introduced. Once they have been included, they establish a valuable precedent for the design of future schemes. DFID's involvement in CSSs enables them to have an impact across all states, rather than just in their focus states, multiplying the effects of their involvement, as Dr Seymour-Smith told us "a small policy change leverages quite a lot of increased effectiveness."<sup>158</sup>

94. We heard criticism however, that because CSSs are 'top-down' programmes, conceived and designed by central government, they often fail to take account of the specific circumstances of individual states. In relation to DFID, we heard that the Department's growing focus on CSSs has led them to engage more and more with central government and to take a 'hands off' approach to working in non-focus states.<sup>159</sup> Although we saw little evidence of the impacts of this shift, we note that **DFID's growing support for CSSs would be problematic if it led the Department to neglect more 'hands on' work with non-focus states.** The Secretary of State told us however, that CSSs are only one of the four ways in which DFID is considering increasing its engagement in UP and Bihar:

What we are currently looking at is: can we increase our presence there, first, through some of the central schemes that we are supporting and, second, looking at Bihar and UNICEF which is working there; thirdly, through our PACS programme which is working with civil society and fourthly to see whether there are areas in which we might be able to discuss questions of governance and reform with those two state governments.<sup>160</sup>

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<sup>157</sup> CSSs constitute one of the three main ways in which funds from central government are transferred to the states, the others being transfers under the provision of the Finance Commission and direct support to States' five year Plans.

<sup>158</sup> Q 159 [Dr Charlotte Seymour-Smith, DFID India]

<sup>159</sup> Ev 94 [ActionAid India memo].

<sup>160</sup> Q 156 [Rt Hon. Hilary Benn MP, Secretary of State for International Development]

95. Perhaps the clearest example of the positive impact which international donors have been able to have on India's CSSs has been in relation to HIV/AIDS. International donors and organisations played a key role in motivating the GoI to initiate its first responses to HIV/AIDS during the early 1990s. The influence of UNAIDS, the UN body responsible for coordinating the responses of all UN agencies to the HIV/AIDS pandemic, was essential in prompting the GoI to acknowledge that HIV/AIDS was an issue affecting the country. In 1992, the World Bank offered India a soft loan of \$87m., until that point its largest HIV-related loan to any single country, to establish a National AIDS Control Organisation (NACO) and to begin the first stage of a CSS addressing HIV/AIDS; the National AIDS Control Programme (NACP). In 1997 the World Bank was able to use the leverage of the renewal of this loan to convince India to withdraw a draconian AIDS Bill which had been introduced into the Lok Sabha.

96. Since 1999, DFID has been involved in the GoI's NACP, working at national level, through NACO, as well as at state level, through State AIDS Control Societies (SACS) in six states; Kerala, AP, WB, Gujarat, Orissa and MP. DFID's financial support to the NACP, which by 2007 will total £123m., has probably added weight to the Department's efforts to shape India's agenda on HIV/AIDS. Dr. Joanna Reid, a Senior Health Adviser with DFID in India, told us that DFID is also attempting to 'mainstream' the issue of HIV/AIDS throughout all its programmes in India. Historically, the GoI's reluctance to acknowledge the significance of HIV/AIDS in India made it important for DFID to become involved in the NACP. Early indications are that the new UPA government is taking the challenge seriously, and a recent change of leadership at NACO lends further grounds for optimism. Now that the GoI has shown the political will to engage with the issue of HIV/AIDS, we think that it is vital that DFID continues to support the programme. We were therefore delighted to hear that DFID has recently accepted an invitation from the DEA to extend financial support to the SACS in Bihar and UP.<sup>161</sup> **With India likely to be acknowledged as the country with the largest number of HIV positive citizens in the world during 2005, we are pleased that DFID recognises the country's window of opportunity to act decisively to tackle the epidemic. We strongly encourage DFID to do all it can to support the GoI in taking such decisive action.**

97. **Although we approve of DFID's signalled intention to stop attaching policy conditions to its development assistance, we are convinced of the need for the Department to continue to attach process conditions, which aim to improve the quality and effectiveness of aid.** In the course of our inquiry we were concerned to establish to what extent DFID had been able to negotiate process conditions in India, given the limitations of DFID's influence on GoI policy making. DFID told us that the UK's financial assistance to India had enabled DFID to engage the GoI in a "genuine and fruitful" dialogue.<sup>162</sup> We wished to establish what evidence there was of the impact of this dialogue.

98. One example which DFID gave us of their impact on a CSS related to the GoI's universal elementary education scheme, the Sarva Shiksha Abhiyan (SSA), to which DFID will contribute a total of £210m. over the next four years.<sup>163</sup> Education is acknowledged, by

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161 S. Jha "DFID to help Bihar, UP combat AIDS", *Times News Network* (9 January 2004).

162 Ev 65 [DFID supplementary memo].

163 See <http://www.dfid.gov.uk/news/files/pressreleases/pr-indiaeducationfunding12oct04.asp>.

the GoI as well as other actors, to be the sector in which donors have had the most positive influence on GoI policy.<sup>164</sup> Roger Cunningham, DFID's Senior Education Adviser in India, told us that although the SSA was essentially 'home-grown' — the GoI was responsible for its policy design — the Indian government had invited DFID, together with the World Bank and the European Union, to become involved in appraising and monitoring the scheme. DFID was invited to undertake an appraisal of SSA, addressing issues of process, including financial management, procurement, fiduciary risk, targeting, monitoring and evaluation. Now that the appraisal has been completed DFID will be involved in twice yearly evaluations of the scheme's implementation. **Although we were encouraged to hear that DFID has been involved in the appraisal of the SSA, we remain concerned that we have not seen any evidence of the impacts which DFID was able to have as a result of this involvement.**

99. The problem of measuring the value which DFID adds to CSSs relates to the more general issue of how effectively CSSs are monitored. A problem inherent in the design of CSSs is that the GoI cannot control the implementation of the schemes at state or district level. In addition to the problems of leakage and the corrupt diversion of funds (discussed in Chapter 3), the funds allocated to CSSs are also highly fungible. This is a significant issue for donors who want to ensure that their money makes an additional contribution to the sectors which they have chosen to target. Nayak *et al.* have found that:

Most allocations to centrally sponsored schemes can be tracked only to the district level.... Nevertheless there are definite indications that at least some funds from schemes are diverted from their given purpose. These can either be for other schemes that the State government prefers... [or for] the more general use for budgetary support.<sup>165</sup>

In light of the fungibility of assistance allocated to CSSs, we were particularly interested to hear from DFID staff about the use of incentive-based financing models to encourage central and state governments to contribute their share of funds for CSSs. Under such models, donor funds are released in response to government contributions reaching certain thresholds, established on an annually rising baseline. **Incentive-based financing is a sensible strategy, which discourages the movement of government funds away from those sectors where DFID has become engaged, as well as enabling DFID to maximise their leverage over the financial management and auditing of CSSs. We encourage DFID to continue to develop and deploy such mechanisms.** In addition to the general issue of monitoring, there is the more specific question of how adequately the pro-poor impacts of CSSs are being assessed. We have not seen evidence which convinces us that the GoI or DFID have developed mechanisms which can adequately assess the extent to which CSSs are impacting on India's poorest people.

100. In 2003/4, DFID spent £79m. through its National Programme in India.<sup>166</sup> DFID told us that its current spending forecast for the National Programme in 2004/5 is £147m.<sup>167</sup>

<sup>164</sup> This may possibly be because of the synergies between the advocacy of civil society organisations and donors working in the sector.

<sup>165</sup> Radhika Nayak, N.C. Saxena and John Farrington, *Reaching the Poor: The Influence of Policy and Administrative Processes on the Implementation of Government Poverty Schemes in India*, ODI Working Paper, No. 175 (2002) p.12. Available online at [http://www.odi.org.uk/publications/working\\_papers/wp175.pdf](http://www.odi.org.uk/publications/working_papers/wp175.pdf).

<sup>166</sup> DFID, *India Country Plan*, (February 2004). Available at <http://www.dfid.gov.uk/pubs/files/capindia.pdf>.

Given that around three-quarters of National Programme spending is through CSSs,<sup>168</sup> this shift represents a significant increase in investment in CSSs. As we have already commented (paragraph 70), we do not think DFID has adequately justified this substantial budgetary shift in the public domain. **We are concerned that DFID has decided to substantially increase its investment in CSSs while convincing evidence of the value which DFID has been able to add CSSs to date remains scant. Furthermore, DFID has not made clear how their growing focus on CSSs at central level fits into their overall strategy for working with Government in India, nor how the Department plans to create synergies between its central and state-level work.**

## Sector support and project support

101. Outside of its four focus states, DFID engages in project work. This is funded through its National Programme, and is usually undertaken by partner organisations who have established some sort of comparative advantage by working in particular states. During our visit, a number of witnesses told us that DFID's project work in India was particularly valued for its innovation and the demonstration effect it could achieve.<sup>169</sup> We were very impressed by the individual examples of DFID's project work which we saw during our visit (some of which are discussed below).

### Education

102. As well as engaging with education-focused CSSs, such as the SSA (discussed in paragraph 98), DFID has become involved in state-level projects in the education sector. During our visit we saw two examples of such projects: in Orissa a post-cyclone school reconstruction programme; and, in AP, an ILO programme addressing the issue of child labour. We also heard about Kerala's experiences in the education sector.

103. Orissa is a natural disaster-prone state, affected by cyclones, flooding, drought and earthquake over the past decade. In October 1999, the eastern, coastal region of Orissa, was hit by two severe cyclones within a span of just 11 days. The second, a rare 'super cyclone' with wind speeds of 300km per hour, killed more than 10,000 people and 406,000 livestock. DFID provided emergency assistance in the immediate aftermath of the cyclones and the flooding which followed. At the time there were complaints in the press and from NGOs of the slowness with which donors reacted to the disasters.<sup>170</sup> Subsequently there was criticism of donors for failing to fulfil their pledges of assistance for rehabilitation.<sup>171</sup> We acknowledge that financial and bureaucratic factors may restrict the speed with which DFID can react to natural disasters in India, but think that improved coordination between DFID, other donors and UN agencies in the interim periods between disasters, would help

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167 Ev 63 [DFID supplementary memo].

168 DFID visit briefing papers, not printed, placed in the Library.

169 Hilary Benn also commented on this in his evidence to the Committee (Q 145 [Rt Hon. Hilary Benn MP, Secretary of State for International Development]).

170 "Cyclone-hit in Orissa still await relief", *The Hindu*, (28 October 2002); "Disaster mismanagement", *The Telegraph (Calcutta)* (29 October 2002); Christian Aid, *The Orissa Supercyclone: lessons from a calamity*, Chapter 4 of "Facing up to the storm" (July 2003).

171 "Supercyclone rehabilitation efforts in Orissa make hardly any progress", *India Today*, (27 May 2002).

to facilitate a more rapid and coordinated response in the event of future disasters. Fortunately Orissa was not badly affected by the recent tsunami earthquake.

104. Working in the longer term following the super-cyclone, DFID has contributed a grant of £33.2m. and technical expertise to the Post-Cyclone Reconstruction of Primary Schools project (PCRPS) in Orissa. The PCRPS is a project led by the State government's Primary Education Programme Authority, to reconstruct primary schools which were damaged by the 1999 super-cyclone. DFID's funding is to support the reconstruction of 3500 primary schools in 14 districts. Intended to double as community shelters in the event of future disasters, the schools reconstructed by the PCRPS project are designed and built to a high specification in order to withstand extreme natural events. Often the only concrete building within a village, these schools also provide an important community resource during interim periods between disasters. We heard that in villages where the school reconstruction scheme had been implemented, local people were beginning to attach a higher priority to educating their children. Raised daily attendance at school, particularly by young children, has been aided by the implementation of the GoI's midday meals programme in Orissa. DFID told us however, that by October 2004, only 670 of the 1,334 schools scheduled to be constructed in 2003/4 had been completed, and that although the remainder may be finished by the end of 2004, it will be a challenge to complete the additional 1,800 schools scheduled for construction by June 2005. It is unfortunate that five years after the super-cyclone, only 670 of the 7000 primary schools damaged by the disaster have been reconstructed.<sup>172</sup> We believe DFID should encourage the GoO to accelerate the PCRPS project, as well as extending it more widely across the State, perhaps seeking to involve the voluntary sector and private firms in the financing of new school buildings.

105. An innovative aspect of the PCRPS project has been the involvement of village education committees (VECs), composed of local people, parents and teachers, in the planning and management of the construction of the school buildings. The strategy of involving the VECs in the reconstruction process was intended to increase communities' feelings of ownership and involvement. We think that the involvement of grassroots institutions in schemes such as the PCRPS project is important, especially if the VECs can continue to be involved in the day-to-day running of the schools once they re-open. In particular, VECs could play an important role in combating the pervasive problem of teacher absenteeism in remote rural areas; if teacher salaries were administered through VECs, these could be withheld if a teacher failed to turn up for lessons. It is important however, to recognise that although the involvement of grassroots institutions, such as VECs, is designed to amplify the 'voice' of the poor in the formation and implementation of development policy, it may in reality serve mainly to augment the influence of relatively powerful individuals within a community. There is also a question about the sustainability of societal institutions established in the context of development interventions, and whether working through existing institutions would be a more sustainable approach.

106. In AP, DFID contributes to the International Labour Organisation's International Programme for the Elimination of Child labour (ILO IPEC). This programme mobilises a wide range of stakeholders, including parents, employers, trade unions, civil society and

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<sup>172</sup> DFID visit briefing papers, not printed, placed in the Library.

government officials, to develop a 'state-based approach' to eliminating child labour. Although the ILO IPEC is primarily educational, it also involves a significant degree of cross-departmental working, with the innovative aim of integrating prevention and education work. We saw one key feature of the programme, a 'bridge school' which aims to enable former child labourers to make the transition to mainstream schooling. The school was an example of cooperative working between various partners: the building was provided by employers' organisations; the staffing was provided by NGOs; and, the funds came from GoAP. The ILO IPEC is also looking at community monitoring of the incidence of child labour and at ways of providing mothers with additional income in order to allow their children to stop working. As with the other programmes we saw in AP, we were told that DFID's financial contribution had been vital in enabling the programme to produce a demonstration model which would encourage the government to develop their work in a new area.

107. The bridge school approach taken by the ILO IPEC was pioneered by Indian NGOs including the MV Foundation in Hyderabad and CINI-Asha in Calcutta. It is now being taken up by the GoAP, and more widely across India, to provide temporary education centres for children who enter school late. The aim is to bring these children, often former child labourers, up to the right grade for their age as quickly as possible. The approach is also used to target potential child labourers, particularly those around the vulnerable age of ten, as a way of ensuring that they become involved in education rather than work. We heard however, of concern at the high drop-out rate when children who had attended a bridge school re-entered mainstream schooling. This problem could be tackled by the development of more vocationally-oriented post-basic education. This might encourage parents to believe that it was worth their children's while to continue their education after finishing at a bridge school.

108. DFID's money has helped leverage GoAP funding for phase two of the child labour project, which Hilary Benn launched during his visit to India in November 2004. This second phase will involve tracking the children to ensure they continue to attend education as well as addressing the complex problems of urban child labour. The other major area on which progress still had to be made was the economic rehabilitation of parents whose children work; and the role of employers, particularly private and informal sector operators, in helping provide social security for parents.

109. Since Kerala has met its non-poverty MDGs, the State's concern has shifted from issues of quantity to those of quality. During our visit to the State, the main criticism we heard was of the GoK's inability to build on its impressive achievements in primary level education at other levels. Tertiary education was underprovided and the GoK had failed to compensate for this by creating a climate for private investment in higher education; Bihar, it seems, has more elite schools per capita than Kerala. Another problem is that educational achievement and universal literacy have raised people's employment expectations but the GoK has failed to generate the jobs to meet these expectations. Some of those we met attributed Kerala's low overall productivity to a culture of activism (encouraged by dynamic trade unions) and a lack of professionalism in the Keralan approach to work. This explanation is contradicted by the high productivity of Keralites working abroad, however.

## Health

110. In UP we saw an example of a health-related project which is being partially funded by DFID and implemented by UNICEF. Through its Polio Eradication Initiative (PEI), UNICEF aims to eliminate polio from UP, one of its last footholds in the world. Mr Ray Torres, UNICEF's State Representative in UP, and his team, told us how the PEI has sought to achieve sustained behaviour change on immunisation and to improve vaccine acceptance. It has pursued these objectives through: an Information, Education and Communication (IEC) campaign; the development of partnerships with over 230 Muslim institutions at block, district and state-level; and, capacity building with partner organisations. The project works particularly with Muslims, a particularly marginalised community, which was previously underserved by immunisation programmes. One reason for the lower rates of immunisation among Muslims was the prevalence of myths claiming that polio immunisation was in fact a covert means of sterilising the community. The PEI has worked to dispel such myths. We were impressed by what we saw of the initiative and particularly by the committed and enthusiastic representatives of its cadre of community motivators, who we met in Sitapur District. The PEI has the advantage of working through existing state and local institutions, reinforcing the government's existing immunisation programmes, which has the potential to render its impacts more sustainable.

111. DFID's involvement in the UNICEF PEI in UP is a good example of the way in which the Department can work in states where it has no focus state programme. By working through UNICEF, DFID is able to benefit from the agency's comparative advantages in UP: an established relationship of trust with the GoUP; a large pool of committed sector specialists; and, an effective field presence in the State. Although working through partner organisations introduces new elements of risk, which DFID must manage, the UNICEF PEI demonstrates the potential of partner organisations to deliver systematic, well managed and effectively monitored programmes on DFID's behalf.

## Livelihoods

112. DFID has established a good track record and reputation for its livelihoods and social forestry projects, which have been in place in many parts of India. During our visit we had the opportunity to see several of the livelihoods projects with which DFID is involved. In Orissa we visited a watershed project in the district of Bolangir. In AP we visited a rural livelihoods project and a programme to provide services for the urban poor, both of which are described in some detail below.

113. Research on rural poverty and livelihood diversification in AP shows that although poor people are already seeking to move out of farming, they frequently move into other poorly paid activities and are consequently unable to exit from poverty.<sup>173</sup> Assisting farmers in dryland areas is a significant priority for the GoAP. Rain-fed agriculture makes up the largest sector of AP's economy, but is threatened by indiscriminate exploitation of ground water, droughts and a strong preference among farmers for growing rice, which have together contributed to a rapid drop in the water table in parts of the State. In one village that we visited we saw an almost total absence of vegetative cover and were told that this

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173 Priya Deshingkar and Craig Johnson, *Poverty reduction in Andhra Pradesh: the real concerns*, ODI (2002). Available at <http://www.odi.org.uk/Livelihoodoptions/papers/Guardian%2011.doc>.

had reduced significantly over the past few years. We talked to villagers who were desperate to see their lands brought back to life, their priority being the restoration of defunct water tanks, which raise the water table and increase the availability of drinking water. The availability of more water would allow farmers to grow a greater diversity of crops and vegetables, which could be sold in towns.

114. The AP Rural Livelihoods programme (APRLP), to which DFID has committed £46m over 7 years, operates in 5 of AP's poorest districts which depend mainly on rainfed agriculture. The aim of the APRLP is to strengthen the GoAP's watershed development programme by adopting a participatory approach to the development of rural livelihoods, in order to improve agriculture and create other income earning opportunities. In key respects the APRLP adopts the approach to livelihoods and participatory development which was successfully pioneered by DFID in the Western and Eastern India Rainfed Farming Projects. The APRLP's approach is to develop locally appropriate and sustainable agricultural practices to tackle poverty and food security by building on local knowledge and traditional crops, as well as by bringing in experience from elsewhere. The project expects to impact directly on 300,000 poor and vulnerable people and indirectly on another 1.2m.

115. Through DFID's involvement, a high level of participation and a focus on the poor have been introduced into the government's original, supply-driven watershed programme. The landless poor tend to be the very poorest of the poor, and previously the livelihoods programme had paid little attention to bringing them into the programme. The civil servants administering the APRLP are now required to consider whether their policies involve expanding the livelihoods of the rural landless poor, particularly women. The APRLP aims to address the needs of the poorest people, without alienating the community as a whole. Its efforts are focused on strengthening existing Self Help Groups (SHGs)<sup>174</sup> and networking them within villages to form Village Organisations (VOs). Each VO manages a Livelihood Fund (comprised of the group's pooled resources with a matching grant from the APRLP). The APRLP only releases its money if, by the end of the first year, 20 of the poorest households in the village have been included in the SHGs, and if, by the end of the second year, all of the poorest households have been included. Additionally, at least 30% of the fund must be spent on addressing the livelihood needs of the poorest. The remaining 70% is for the wider community, which includes the poorest.

116. The APRLP draws attention to the importance of processes in the delivery of development interventions, and demonstrates the importance of these being internalised and sustained by the community. The type of participation encouraged under projects such as the APRLP, reflect a common dilemma in the design of development interventions; whether to set up project-specific institutions (like SHGs) or to rely on existing organisations (like local government bodies known as panchayats). We were told that SHGs are less prone to being captured by elites than panchayats. While project-specific institutions may be more pro-poor than the panchayats, they may be less sustainable and inadequately integrated with existing institutional structures.

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174 A self help group can be defined as a group of about 20 people from a homogenous class, who come together to address their common problems.

117. Gender divisions increasingly correlate with livelihood divisions among poor landless households; poorly paid agricultural labour is becoming feminised. At the same time male members of poor households are increasingly taking up migratory work, creating new gender-specific livelihood insecurities in agricultural slack seasons. The APRLP needs to demonstrate that it can deal with gender specific aspects of poverty. Despite this concern, we believe that the programme has developed a sustainable and integrated approach to livelihoods, as well as incorporating previously excluded factors, such as migration. The District Collector in Mahabubnagar told us that DFID's technical assistance and new ideas were as important to the project as the money they provided, although DFID's investment had also been crucial to allowing them to prove that their new ideas worked. We were told that the GoAP was now rolling out similar initiatives across AP at its own cost.

118. The Andhra Pradesh Urban Services for the Poor programme (APUSP) is a partnership between the GoAP and DFID aimed at achieving a sustained reduction in the vulnerability and poverty of the urban poor. The APUSP programme aims to improve public services in slum areas of 32 towns and is expected to benefit 2.2m. slum dwellers by 2006. The programme supports government reforms in the municipalities, funds improvements in infrastructure in slum areas (including water supply, sanitation and solid waste management) and focuses heavily on engaging poor communities in decision-making. In each town, a participatory poverty assessment is undertaken in consultation with local politicians, officials in the municipal government, civil society and the public, in order to formulate a Comprehensive Municipal Action Plan for Poverty Reduction (CMAPP). The CMAPP identifies the needs of poor communities, and prioritises and targets infrastructural improvements in the town. We were told that ward councillors had initially pressed for programme funds to be shared equally between districts, but that working with a poverty focus, DFID had ensured that a matrix was developed to ensure that the poorest areas were identified and targeted. From this point onwards the project had been demand driven, with infrastructure improvement priorities identified by the poor through neighbourhood street groups. These groups worked with contractors to design and implement sanitation improvements with technical assistance from the APUSP programme.

119. An innovative feature of the APUSP programme is that municipal infrastructure is provided on the basis of performance improvement. There is no automatic entitlement to improvements unless municipalities can demonstrate a commitment to change, dedication to addressing the needs of the poor, and the ability to maintain the infrastructure provided. We were persuaded of the robustness of the project when the Secretary of the GoAP complained to us about the slowness with which DFID's funds were being disbursed. The release of funds had been conditional upon the achievement of certain performance targets, which had been met more slowly than expected. The Secretary therefore wanted the targets to be relaxed. DFID accepted that funds had been flowing more slowly than anticipated, but explained that this was because the first two years of the programme had been spent on capacity building. The process of empowering communities was part of the project and this meant delay as money was not simply handed over to the contractors.

120. As well as improving the appearance of the slums, the APUSP programme has had health and educational benefits. Local people told us that child health had improved, enabling increased school attendance and savings on medical bills. By allowing people to see that there was funding available to back their ideas, the programme had promoted

genuine community participation in decision-making. Revenue from property tax had increased by 108%, largely because of an improved process for identifying properties liable for local tax. This process had developed as the result of certain 'conditionalities' imposed by DFID. We were told that the GoAP and local municipalities have found it politically expedient to be able to 'blame' DFID for the introduction of such bureaucratic reforms. The authorities have been able to ensure the implementation of otherwise unpalatable reforming policies on the basis that they are donor requirements. We were also told that the APUSP had been an important demonstration project. The GoAP would not have been convinced by the project idea alone, but once the effects of the pilot scheme had been demonstrated, the CMAPP had been taken up as GoI best practice and also adopted by the World Bank.

121. The livelihoods projects we saw seemed very successful. While visiting DFID's individual state programmes however, we heard of concern from among DFID staff that the rigidities of projects undertaken within certain sectors were limiting the potential benefits of a more holistic approach to development work. DFID staff in Orissa told us that DFID's legitimacy in the State was derived from the Department's breadth of understanding of Orissa's development situation. They feared this understanding could be lost if DFID focused too narrowly on certain sectors. The recent changes in the organisation of DFID's advisory groups may have begun to overcome this problem, but DFID's continuing focus on achieving the MDGs seems likely to reinforce the narrow foci of sectoral approaches. We hope that DFID will maintain its awareness of this problem, and attempt to resolve it.

122. The development of effective replication mechanisms is a cost effective way of multiplying the impacts of relatively cost-intensive projects. A key issue for DFID is how to disseminate the lessons which it learns from its project work. It is essential for DFID to ensure that the high quality, individual projects which it develops are replicated in other places, and do not remain isolated as 'islands of excellence'. DFID staff in India acknowledged this: in relation to a livelihoods project in Orissa, for example, we were told that it was crucial "that the lessons learned from [the project] transcend localised impacts and input effectively into the state-level policy-making process."<sup>175</sup> DFID's strategy of undertaking projects through existing government programmes seems likely to promote the chances of replication and lesson learning taking place. Hilary Benn believed that DFID had had some success in the replication of projects within states but admitted that lesson learning between states was harder to achieve.<sup>176</sup> Charlotte Seymour Smith told us that DFID was trying to build its relationship with the GoI's Planning Commission,<sup>177</sup> which is currently undertaking work on lesson learning between states. **We see the effective replication of DFID's project work as a key factor determining the Department's impact in India and encourage DFID to place a substantial focus on the issue.**

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175 DFID visit briefing papers, not printed, placed in the Library.

176 Q 166 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

177 Q 166 [Dr Charlotte Seymour-Smith, DFID India].

## Working through civil society

123. DFID works through civil society in India through two formal mechanisms: the Poorest Areas Civil Society programme (PACS) and the Orissa Civil Society Poverty programme (OCSP).<sup>178</sup> The £27 m. PACS programme, which began in 2001, funds NGOs working in states other than DFID's focus states, to help poor people to obtain access to government services. The £1.5 m. OCSP was initiated in March 2004, to experiment with the possibility of a state-specific funding stream, to increase the capacity of civil society organisations in Orissa. In addition to these formal mechanisms for delivering funds to civil society organisations, DFID staff maintain informal links with individuals and organisations in Indian civil society, who provide an important source of information and feedback on DFID's programmes and policies.

124. Historically the GoI has been uncomfortable about foreign agencies funding and engaging with individual civil society organisations. Its concerns have been linked to concerns about Pakistani/foreign influences within India. We heard from DFID staff that the Department for Economic Affairs' process for approving DFID funding of civil society organisations is slow and bureaucratic. The DEA has approved only five civil society organisations' proposals for funding to date.<sup>179</sup> The head of DFID's state programme in Orissa told us that the GoI had been more nervous about the OCSP mechanism than DFID had anticipated; the central government had demanded detailed information on all the organisations which DFID proposed to fund, before granting approval. This has significantly raised DFID's transactions costs. A group of NGO representatives told us that the process of approval is also extremely time and resource intensive for civil society organisations; numerous police checks and visits by officials are required before the government can be satisfied that DFID can fund the organisation. This was a significant disincentive to their seeking funds from DFID programmes. We were pleased to hear however, that the new UPA government is currently reviewing the procedures for donor funding of civil society organisations in India, with a view to simplifying these.<sup>180</sup> Despite the difficulties which have been encountered, **DFID should continue to persevere with funding civil society organisations through the PACS and OCSP programmes. Indeed, we encourage DFID to explore the possibility of replicating its OCSP programme in other states. As well as funding individual organisations, DFID should develop mechanisms to encourage civil society networking within India, in order to promote lesson learning and the transferral of best practice between organisations.**

## Technical assistance

125. DFID delivers technical assistance (TA) to governmental and non-governmental partner organisations in India as part of its National Programme. Most projects undertaken under the National Programme entail an element of TA, while some are composed entirely of TA. Some examples include: the TA which DFID has provided directly to SACS in six Indian states as part of the Department's engagement with India's

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<sup>178</sup> UK based civil society organisations can apply for funding to work in India through DFID's Civil Society Challenge Fund.

<sup>179</sup> Email communication from DFID India to the Clerk of the Committee, not printed, placed in the Library.

<sup>180</sup> DFID visit briefing papers, not printed, placed in the Library. There are rumours that the GoI is planning introducing legislation to regulate the NGO sector, although nothing has been announced officially as yet.

NACP; the £20 m. Technical Assistance Cooperation Fund for India, established with the ADB in June 2001; the Sexual Health Resource Centre established in New Delhi in 2003; and, the £5.9 m. programme to establish a Centre for Good Governance in AP from September 2001.

126. In December 2004, the NGO 'War on Want' criticised DFID for contracting Western consultancy firms to provide TA in India, thereby creating "aid-funded business".<sup>181</sup> We would be concerned if the provision of these contracts affected India's ability to gather its own evidence and to make its own analysis of the likely costs and benefits of policies such as privatisation. We were reassured to some extent by Hilary Benn's recognition that "Technical assistance only really works if the partner wants to receive it, if together an issue has been identified where it is felt that technical assistance would help, and that technical assistance will enable the Government or the state in the end to be able to do it for itself."<sup>182</sup> **Wherever possible, DFID should make use of the considerable expertise of Indian consultants. DFID needs to ensure that all its technical assistance is provided in such a way as to enable recipients to come to their own conclusions about the value of the policies advocated.**

127. During the course of our inquiry, the quality of DFID's TA was widely praised. We were repeatedly told that the value of DFID's contribution to India lay in its innovative ideas and practices rather than its money, a view which the Secretary of State acknowledged in his evidence to us.<sup>183</sup> **DFID should build on the existing strengths of its India programme by devoting a greater proportion of its resources towards technical assistance, research and the development and dissemination of good practice.**

128. If TA is the most important aspect of DFID's programme in India, then perhaps the Department should begin to consider how it might continue providing this to India, if (or more likely when) its aid programme to India is scaled back. One option might be to move to a consultancy-based framework, although we were told that Indian national pride would be likely to preclude the purchase of development advice from a foreign agency. Another option might be to develop the links between UK institutions (such as the ODI and IDS), and Indian development institutions. DFID has already been active in this area; during the 1990s for example, it funded the IDS to train the main Indian civil service training institute (the Lal Shastri National Academy of Administration, in Mussoorie) on Gender Planning. **We encourage DFID to continue developing links with Indian development institutions, through international secondments, collaborative programmes and joint research initiatives. In many areas India is now at the cutting edge of international development policy and practice,<sup>184</sup> and so the promotion of such links would be mutually beneficial for development practitioners in the UK and India. The encouragement of such global networking could be seen as DFID's legacy in the sub-continent.**

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181 War on Want, *Profiting from Poverty: Privatisation consultants, DFID and public services*, (2004). Available at <http://www.waronwant.org/profitting>.

182 Q 168 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

183 Q 145 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

184 For example, Dr Samuel Paul is one of the leading experts in the world on 'accountability' and how to enhance the 'voice' of users in service delivery. Dr Paul, who is normally based in Bangalore, has assisted the World Bank in developing its policy in this area.



## 6 DFID's programme in India: managing, monitoring and evaluating impact

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### Monitoring and evaluation of impact

129. As with all its country programmes, DFID's programme in India involves maintaining accountability, monitoring the finances and evaluating the impacts of the programmes and projects with which it is engaged. DFID told us that they attempt to maximise the accountability of the state and central government schemes in which they are involved by imposing certain process conditions on their engagement. Staff in Orissa told us how they had adapted the framework of 'prior actions' required for PRBS to apply to their involvement in CSSs in the State. DFID also told us that financial monitoring is integrated into all their programmes and projects in India. This monitoring consists of fiscal risk assessments, the imposition of process requirements and external auditing. It is difficult for us to assess the adequacy of the measures which DFID has developed to maintain the accountability and monitor the finances of the programmes with which it is engaged in India. Nevertheless, in light of the problems with governance and leakage which we have noted elsewhere in this report, we encourage DFID to ensure that their monitoring is rigorous.

130. **Two of the most significant problems which emerged from our inquiry were: the difficulty of evaluating the impact of development programmes in India and the challenge of disaggregating DFID's contribution to that impact.** One reason for these difficulties is the lack of reliable data on development indicators in India. The key goals for development practitioners in India are the MDGs. Monitoring progress towards these is important at all levels, but there is a lack of accurate government data on MDG indicators, particularly at state level. Other donors are working to improve this situation. The UNDP's 'Strengthening State Plans for Human Development' project aims, among other things, to enable states to develop MDG targets and monitor progress towards these indicators. **We encourage DFID to support donors who are working to improve the extent and reliability of data collection on development indicators in India.**

131. Another reason for the difficulty in measuring DFID's contribution to development in India is the sheer size of the country, of its population and hence of the development schemes which are implemented. It is pragmatic for DFID to have chosen to concentrate its efforts in the few sectors and states where it feels it can have the greatest impact, but even at the state level its contributions are dwarfed by the size of government budgets. At the scale of individual projects it seems relatively easy for DFID to assess their contribution, as budgets are small and outcomes are visible. It is less easy however, to measure the impact of an individual project in terms of its demonstration effects, or to quantify DFID's contribution to the replication of example projects.

132. **Much of what DFID told us about the impact which it had had on CSSs was short on evidence and often limited to assertion.** As we discussed in paragraph 98, we heard from DFID's Education Adviser about the Department's involvement in evaluating and monitoring the SSA scheme. In relation to the Reproductive and Child Health programme, Hilary Benn told us:

“...certainly as that national programme has evolved, we would feel that we have played a part in shifting federal government thinking in particular so that there is greater involvement of the states in that process, more involvement from the bottom up... We would argue certainly that we have had an impact... by being involved in that programme and changing the way it has been delivered to make it more effective.”

133. We have no reason to doubt the Secretary of State's assertion, but he was unable to offer us any more concrete evidence of DFID's impact. **We are not convinced that the Department has developed adequate mechanisms for measuring their impact on CSSs. The lack of tools for measuring impact makes it difficult to evaluate DFID's relative contribution via different aid instruments in India. The difficulties of measuring the impact of DFID's work in India make it hard to establish either the Department's comparative advantage for working in India or the value of working in India rather than other countries. Such difficulties do not provide a reason for DFID to abandon their India programme, but the Department needs to work harder to provide evidence of its impact.**

134. We heard that impact assessments of DFID's India programmes are currently hard to come by in the public domain, and that much of DFID's response to public debate appears to be defensive.<sup>185</sup> We agree with Dr Michel Pimbert who told us that DFID needs to develop “processes of two way accountability (to British tax payers *and* to aid recipients, particularly the poor).”<sup>186</sup> We believe that DFID must be seen to be following the advice it offers to its partner governments. This includes being seen to be as transparent as possible about the lessons of its experience, opening itself up to scrutiny both within India and in the UK. **DFID needs to develop its information strategy to be clearer about communicating the Department's policy choices, including their likely trade-offs, to be more open about explaining its support for Indian policies, and to be more supportive of the right to information of Indian citizens.**

## Management of the DFID programme

135. A confidential external evaluation of the implementation of the DFID Country Strategy Paper 1999 was highly critical of the implementation of the CSP. The criticisms related to the way DFID's programme in India was managed rather than to the effectiveness of its projects and initiatives on the ground. The evaluation found that DFID India was failing to report its progress against the CSP systematically, was not managing its portfolio effectively against the strategy's objectives, and had made no formal attempt to measure the process of partnership building in its focus states.

136. Since 2002/2003, DFID has been working to improve the management of its programme in India. DFID told us that it has revamped its decision-making structures, aligned its resources more closely behind its business objectives, restructured itself to improve programme management, and created a new Policy Learning and Strategy team

185 Ev 94 [Letter from Action Village India]. See also Tom Wakeford and Dr Michel Pimbert, *Prajateerpu, power and knowledge: the politics of participatory action research in development. Part 2: analysis, reflections and implications*, Action Research Vol. 2:1 (2004) pp.25-46. Available online at [http://www.iied.org/docs/sar/lfs\\_Prajateerpu\\_Part2MPTW.pdf](http://www.iied.org/docs/sar/lfs_Prajateerpu_Part2MPTW.pdf).

186 Ev 101 [Dr Michel Pimbert, memo].

(PLST) to promote synergy between programme teams and support office-wide learning. It is early, as yet, to assess the impact which these changes will have on the problems identified in the external review. Nonetheless, we attach great importance to the monitoring of these impacts, which we understand will be undertaken by DFID India's Human Resources Committee. We hope that important lessons about the management of DFID's country programmes can be learnt from the process of remodelling the India programme, particularly for DFID's work in Nigeria, the only other country where DFID works at both central and state-level. **We recommend that DFID reports on the progress of its work to improve the management of its India programme in future Departmental Annual Reports.**

137. One criticism in the external evaluation of the CSP 1999 was that DFID's programme in India had become excessively diverse and therefore appeared unfocused. We heard that since 2002/2003, DFID has been working to streamline its country programme in India, undergoing a 'portfolio cleaning' exercise. **During our visit to India we saw several examples of projects which appeared effective and worthwhile, and heard about DFID's contributions to various state and central government programmes. We did not really get a sense, however, of how DFID's different activities were prioritised within its India programme. DFID still does not seem to have a coherent sense of where its strategic focus should lie in India.** When we asked the Secretary of State about this, he told us:

If you look at where we are putting our resources, focusing on education, health, rural livelihoods, HIV and AIDS, TB, reproductive and child health and primary education, those are the priorities. They remain the priorities. We are trying to strike that balance between pursuing those through the federal level schemes as well as the programme that we have in states. The resources that we have put into those different schemes reflect the importance that we attach to them and all the opportunities that there are to make progress working with the Government of India and with the states. All of those are important. What we are doing currently reflects what we see as the priorities.<sup>187</sup>

This answer, which takes in the majority of DFID's activities in India, does not greatly clarify DFID's programmatic priorities in the country. **In the next CSP we would expect to see a clearer statement of the priorities of DFID's India programme.**

138. During our inquiry we heard of concerns that the centralisation of DFID's India programme in Delhi had contributed to an overly 'hands off' approach to the programme's implementation. DFID staff in Orissa told us that DFID's minimal physical presence in the State was due to GoI regulations which preclude diplomatic staff (including expatriate DFID staff) from living outside Delhi on a permanent basis. We recognise that such regulations tie DFID's hands to some extent. If these regulations do not apply to staff appointed in country however, it should still be possible for DFID to expand its physical presence in its focus states to some extent, a move which we would support.

139. On our visits to DFID's focus states, we heard from DFID staff about the tensions between the central and state-level management of DFID's programme in India. We heard the argument that state-level teams, who have an in-depth understanding of the situation

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187 Q 171 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

in individual states, should have a greater degree of flexibility and autonomy in managing state programmes and determining programmatic priorities. We think that although greater decentralisation seems sensible in theory, in practice it would raise issues of accountability. As we observed earlier in this chapter, we are not convinced that DFID has adequate mechanisms to assess either the pro-poor outcomes of programmes delivered in India, or the contribution which DFID makes to these. It is therefore extremely difficult for DFID to hold individual state teams to account for the resources they deploy, in terms of their delivery of pro-poor outcomes. Consequently, more autonomous state teams, given the latitude to deploy resources as they saw fit, would have difficulty in proving that their effectiveness in achieving DFID's goals.

140. Along with its budget, DFID's staff has grown significantly in size since 1997. The impact of the requirement for staff cuts under the Gershon review of public sector efficiency, may fall disproportionately on larger country programmes, including DFID's India programme. We are concerned about the impact that the "difficult process"<sup>188</sup> of the staff cuts required under Gershon may have on DFID's India programme, particularly in the light of the latter's simultaneously rising budget. We were impressed by the quality and dedication of all DFID's staff but particularly that of their staff appointed in-country, whom we met during our visit. We were pleased to receive reassurance from the Secretary of State that staff cuts would not fall disproportionately on these members of DFID's staff in India. **We recommend that DFID reinforces the assurances we have been given by publishing data on the redundancies which have occurred as a result of the Gershon review (total numbers and by category), once these are available.**

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188 Q 157 [Rt Hon. Hilary Benn MP, Secretary of State for International Development].

## 7 Conclusion

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141. We conducted our inquiry into DFID's programme of bilateral assistance to India during a period of flux for international donors in India. Recent shifts in the GoI's attitude towards international aid, combined with India's change of government during 2004, have created an atmosphere of uncertainty and change for the bilateral donors remaining in the country. The reality of India's substantial population of extremely poor people sits awkwardly with the country's growing ambitions as a regional and global player. For India itself it creates the dilemma of how to establish its position in the world without compromising the needs of its population. For donors it presents the issue of whether they should continue to provide assistance to India's poorest people when the GoI's attitude towards international donors is, at best, ambiguous.

142. We are convinced that, at present, there is a strong case for DFID's presence in India. From India's perspective the case for assistance rests on the country's 350m. people living on less than one US dollar a day, and its relatively strong governance. From DFID's perspective, the value they can add derives from the Department's policy ideas, programme innovations and demonstrations of best practice. DFID also has a valuable role to play in drawing the Government of India's attention to socially excluded groups and maintaining its focus on those Millennium Development Goals on which India remains off-track. Although our inquiry has made clear the tensions between DFID's policy development and the priorities of the GoI, DFID has an established reputation in India and a strong relationship with those areas of central and state government with which it has contact.

143. In this report we have made a wide variety of observations and recommendations about the way in which DFID is delivering its programme of assistance. Many of these have related to two overarching themes. First, the need for DFID to develop a better strategic overview of and rationale for its programme in India. Second, the need for DFID to be more open and transparent about the reasons for its policy decisions and their potential trade-offs. In terms of policy content we think that DFID ought to be concentrating its energies on the issues of social exclusion and inequality.

144. The future of DFID's programme in India remains uncertain. Although the time has certainly not yet arrived when DFID should be considering withdrawing its programme of assistance from India, it has become visible on the horizon. DFID needs to start thinking now about when and why it might decide to taper its India programme, assuming of course that the GoI's own policy decisions do not pre-empt this decision. We hope that our recommendations about DFID's need to clarify the rationale for its current programme in India can facilitate this decision-making process.

## Conclusions and recommendations

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### The case for development assistance to India

1. We agree that reducing income poverty is vital, but we were surprised by how little we heard from DFID about work to address India's 'off-track' MDGs. (Paragraph 18) We think that DFID should prioritise work on India's 'off-track' MDG goals. (Paragraph 18)
2. We are convinced that, at present, India qualifies easily for DFID's assistance, on both high poverty and good governance grounds. (Paragraph 24)
3. Although India's shift to MIC status is "some way off" we think that DFID should already be considering its likely implications. (Paragraph 25) Under DFID's current policy, India's elevation to MIC status would necessitate a drastic reduction in the volume of DFID's bilateral assistance to the country. A significant reduction in DFID's assistance to India would be problematic if it led to the curtailment of programmes in India's poorest states (Paragraph 26)
4. We think that DFID ought to be developing its work in India's poorest states. We would be very concerned if the future success of India in reducing levels of income poverty (and thereby attaining MIC status), led DFID to significantly reduce its work with India's remaining hundreds of millions of poor and socially excluded people. (Paragraph 26)
5. We endorse the assertion of DFID, the FCO and HM Treasury in their September 2004 consultation paper on aid conditionality that "developing countries must have room to determine their own policies for meeting the Millennium Development Goals" and applaud the UK government's renewed emphasis on building partnerships for poverty reduction with developing country governments. We look forward to seeing how the shift in DFID's thinking set out in the consultation paper impacts on DFID's work in practice. (Paragraph 28) Although we approve of DFID's signalled intention to stop attaching policy conditions to its development assistance, we are convinced of the need for the Department to continue to attach process conditions, which aim to improve the quality and effectiveness of aid. (Paragraph 97)
6. We were encouraged to hear that DFID has undertaken analysis of the risks to development assistance in India in the course of creating its new CAP for the country, and encourage the Department to repeat such analysis on an ongoing basis. (Paragraph 33)
7. We attach great importance to the continued maintenance of the UK's cordial and productive relationship with India. We believe that DFID's relationship with the GoI should be seen as a relationship between two partners rather than in terms of a donor and recipient. (Paragraph 35)
8. We support DFID's stated intention to support India's emerging role as a donor, and to expose India to global best practice and harmonisation. (Paragraph 36)

9. HMG needs to re-assess its progress on environmental MDGS. (Paragraph 38)

### **Economic development, governance and poverty reduction**

10. It is a positive sign that DFID has begun to include components targeting socially excluded groups in its projects and programmes. We saw little evidence of the impacts of such initiatives, however. DFID must closely monitor the success of these programmes in reaching the poorest and most marginalised people. (Paragraph 46) We urge DFID to give careful consideration to the question of whose voice they are promoting through their participatory work on social exclusion, and what policy influences they are therefore facilitating. (Paragraph 44)
11. We think that DFID's strategy of mainstreaming gender and social equity throughout its India programme does not give sufficient weight to the significance of these issues. (Paragraph 49) We recommend that gender and social exclusion audits, or similar exercises, are undertaken throughout DFID's India programme on a regular basis, in order to maintain DFID's focus on these issues. (Paragraph 45)
12. We saw no evidence that DFID has found a way to work with the GoI which ensures a focus on socially excluded groups. We encourage DFID to increase its efforts to raise the profile of social exclusion and inequality issues with the GoI. (Paragraph 47) We recommend that DFID makes addressing social exclusion one of the central objectives of its India programme. (Paragraph 49)
13. We encourage DFID to increase the relatively small budget currently allocated to work with civil society groups representing socially excluded groups. (Paragraph 48)
14. We think that DFID should involve itself in the issues of judicial and penal reform in India. In particular the Department could engage with the work of India's National Human Rights Commission, which has sought to emphasise the human rights of prisoners. We think that DFID should also encourage the governments of their focus states to push through judicial and penal reforms, and should commit funds to civil society organisations working on these issues. (Paragraph 54)
15. We encourage DFID to explore the potential benefits of collaborating with other donors and agencies to address governance issues. (Paragraph 55)
16. The scrutiny undertaken by state legislative assemblies and India's national parliament form essential parts of India's system of governance. It is therefore important that DFID develops its efforts to raise the profile of development issues with MLAs and MPs. (Paragraph 56)
17. We encourage DFID to work with UK companies to help them maximise the pro-poor benefits of their engagement with India. (Paragraph 63)
18. We encourage DFID to work with NRIs and South Asian diasporic organisations in the UK, in order to maximise both the level of funds remitted to India, and the pro-poor impacts which those funds have. (Paragraph 67)

## The nature of engagement

19. Although probably sound in principle, we did not hear a convincing case for DFID's decision to create a 50/50 balance in its distribution of funds between its National and state programmes. We are concerned that the budgetary shifts which this policy entails should not be implemented too hastily. (Paragraph 69) Given what DFID told us about the success of its individual state programmes, we feel that the Department has not adequately justified and explained its decision to double its spending through its National Programme in 2004/5. We hope that this funding decision has been made on its own merits and not determined by the GoI's changing priorities on the provision of aid. (Paragraph 84)
20. Given the substantial aid investments which DFID has made in AP, we are concerned by the paucity of evidence that these have delivered pro-poor results. (Paragraph 76) We think that DFID's decision to direct a very large proportion of its India budget into a single state programme ought to have been better justified, given the considerable cost to the UK taxpayer involved. (Paragraph 77)
21. We are concerned that DFID's policy of supporting reforming states should not exacerbate the already growing inequalities between states in India. (Paragraph 77)
22. We recommend that in UP and Bihar, DFID should work through certain, carefully selected state organisations and district administrations, as well as with international NGOs and UN agencies. (Paragraph 81)
23. We can see the merit of DFID's close relationship with the World Bank, but are concerned that this should not be allowed to undermine either the distinctiveness of the DFID's work in India, or understanding of DFID policies among donors and civil society. (Paragraph 86)
24. We think it is sensible for DFID to reallocate funds previously directed though PRBS to the state-level budgets needed in order to secure the release of centrally sponsored scheme funds. (Paragraph 91)
25. DFID's growing support for CSSs would be problematic if it led the Department to neglect more 'hands on' work with non-focus states. (Paragraph 94)
26. With India likely to be acknowledged as the country with the largest number of HIV positive citizens in the world during 2005, we are pleased that DFID recognises the country's window of opportunity to act decisively to tackle the epidemic. We strongly encourage DFID to do all it can to support the GoI in taking such decisive action. (Paragraph 96)
27. Although we were encouraged to hear that DFID has been involved in the appraisal of the SSA, we remain concerned that we have not seen any evidence of the impacts which DFID was able to have as a result of this involvement. (Paragraph 98)
28. Incentive-based financing is a sensible strategy, which discourages the movement of government funds away from those sectors where DFID has become engaged, as well as enabling DFID to maximise their leverage over the financial management and

auditing of CSSs. We encourage DFID to continue to develop and deploy such mechanisms. (Paragraph 99)

29. We are not convinced that the Department has developed adequate mechanisms for measuring their impact on CSSs. The lack of tools for measuring impact makes it difficult to evaluate DFID's relative contribution via different aid instruments in India. The difficulties of measuring the impact of DFID's work in India make it hard to establish either the Department's comparative advantage for working in India or the value of working in India rather than other countries. Such difficulties do not provide a reason for DFID to abandon their India programme, but the Department needs to work harder to provide evidence of its impact. (Paragraph 133)
30. Much of what DFID told us about the impact which it had had on CSSs was short on evidence and often limited to assertion. (Paragraph 132) We are concerned that DFID has decided to substantially increase its investment in CSSs while convincing evidence of the value which DFID has been able to add CSSs to date remains scant. Furthermore, DFID has not made clear how their growing focus on CSSs at central level fits into their overall strategy for working with Government in India, nor how the Department plans to create synergies between its central and state-level work. (Paragraph 100)
31. We see the effective replication of DFID's project work as a key factor determining the Department's impact in India and encourage DFID to place a substantial focus on the issue. (Paragraph 122)
32. DFID should continue to persevere with funding civil society organisations through the PACS and OCSP programmes. Indeed, we encourage DFID to explore the possibility of replicating its OCSP programme in other states. As well as funding individual organisations, DFID should develop mechanisms to encourage civil society networking within India, in order to promote lesson learning and the transferral of best practice between organisations. (Paragraph 124)
33. Wherever possible, DFID should make use of the considerable expertise of Indian consultants. DFID needs to ensure that all its technical assistance is provided in such a way as to enable recipients to come to their own conclusions about the value of the policies advocated. (Paragraph 126)
34. DFID should build on the existing strengths of its India programme by devoting a greater proportion of its resources towards technical assistance, research and the development and dissemination of good practice. (Paragraph 127)
35. We encourage DFID to continue developing links with Indian development institutions, through international secondments, collaborative programmes and joint research initiatives. In many areas India is now at the cutting edge of international development policy and practice, and so the promotion of such links would be mutually beneficial for development practitioners in the UK and India. The encouragement of such global networking could be seen as DFID's legacy in the sub-continent. (Paragraph 128)

## Managing, monitoring and evaluating impact

36. Two of the most significant problems which emerged from our inquiry were: the difficulty of evaluating the impact of development programmes in India and the challenge of disaggregating DFID's contribution to that impact. (Paragraph 130)
37. We encourage DFID to support donors who are working to improve the extent and reliability of data collection on development indicators in India. (Paragraph 130)
38. DFID needs to develop its information strategy to be clearer about communicating the Department's policy choices, including their likely trade-offs, to be more open about explaining its support for Indian policies, and to be more supportive of the right to information of Indian citizens. (Paragraph 134)
39. We recommend that DFID reports on the progress of its work to improve the management of its India programme in future Departmental Annual Reports. (Paragraph 136)
40. During our visit to India we saw several examples of projects which appeared effective and worthwhile, and heard about DFID's contributions to various state and central government programmes. We did not really get a sense, however, of how DFID's different activities were prioritised within its India programme. DFID still does not seem to have a coherent sense of where its strategic focus should lie in India. (Paragraph 137) In the next CSP we would expect to see a clearer statement of the priorities of DFID's India programme. (Paragraph 137)
41. We recommend that DFID reinforces the assurances we have been given by publishing data on the redundancies which have occurred as a result of the Gershon review, once these are available. (Paragraph 140)

## Annex: The Committee's visit programme in India: October 2004

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The Committee split into 2 groups for the purpose of this visit.

Group A consisted of:

Tony Baldry MP  
Mr John Battle MP  
Mr Tony Colman MP  
Mr Piara S. Khabra MP  
Mr Andrew Robathan MP

Group B consisted of:

John Barrett MP  
Hugh Bayley MP  
Tony Worthington MP

### ITINERARY: GROUP A

DELHI - MONDAY 18 OCTOBER

*Briefing with DFID India*

*Discussion with donors:*

USAID	: Mr. Walter North	World Bank	: Ms Mandakini Kaul
EC	: Etienne Claeys	Japan	: Mr. Hidenao Yanagi
ADB	: Mr. Louis De Jonghe	BMZ	: Mr. Wolfhard Behrens

*Meeting with UN agencies:*

ILO, UNDP, UNICEF, UNIFEM, WHO

*Seminar on Development in India: Hosted by Oxfam*

DELHI - TUESDAY 19 OCTOBER

*Meeting with Mr. Chidambaram, Finance Minister, Government of India (GoI)*

*Meeting with Mr. Vivek Mehrotra, Joint Secretary, Department of Economic Affairs GoI*

*Meeting with Dr. Pronab Sen, Advisor – Rural Development, Planning Commission for an overview of GoI's policy on poverty reduction.*

*Lunch with Mr. N. C. Saxena* (retired senior civil servant, in charge of strategic planning for the Planning Commission)

*Briefing meeting with the British High Commission & British Council*

*Meeting with Mr Sundeep Waslekar, of the Mumbai-based Strategic Foresight Group*

*Reception with NGOs and Civil Society Organisations*

## **KERALA ITINERARY: GROUP A**

### **TRIVANDRUM - WEDNESDAY 20 OCTOBER**

#### ***Meeting with government officials managing donors' programmes***

- K M Abraham, IAS, Secretary, Modernising Government Programme (Asian Development Bank project)
- Alok Sheel, IAS, Secretary, Water Resources (World Bank Project)

### **TRIVANDRUM - THURSDAY 21 OCTOBER**

#### ***Discussion on "Sustainability of the Kerala Model of Development" with:***

- K P Kannan, Director, Centre for Development Studies (CDS)
- T M Thomas Isaac (MLA), ex-Member of Planning Board; economist, senior CPM leader
- K K Subramaniam, Honorary Fellow, CDS
- S Irudaya Rajan, Associate Fellow, CDS
- K K George, Chairman, Centre for Socio-economic and Environmental Studies
- C P John, Member, Planning Board
- M K Ramachandran Nair, Vice-Chancellor, University of Kerala
- Ms K Sardamoni, Social Scientist
- B A Prakash, Professor and Head, Department of Economics University of Kerala
- M N V Nair, Chairman, Public Affairs Forum, Thiruvananthapuram (ex-Dean, IIM-Bangalore)

#### ***Meeting with Oommen Chandy, Chief Minister, Government of Kerala (GoK)***

#### ***Meeting with:***

- Vakkom Purushothaman, Finance Minister, (GoK)
- K Jose Cyriac, Finance Secretary, (GoK)

#### ***Meeting with:*** Babu Jacob, Chief Secretary, (GoK)

#### ***Meeting with:***

- V Ramachandran, Vice-Chairman Planning Board, (GoK)
- S M Vijayanand, Planning Secretary and
- C P John, Member, Planning Board

#### ***DFID-supported HIV/AIDS project visit:***

- Presentation : Prasanna Kumar, HIV/AIDS Project
- Present : Principal Secretary, Health & Family Welfare, Tourism, Culture (K K Bharat Bhushan) and key Project staff

#### ***Field visit***

Presentation: R Satheesh Chandran, Assistant Director, SOMA, Thiruvananthapuram

#### ***Leave Trivandrum for Cochin***

**COCHIN – FRIDAY 22 OCTOBER*****Presentation on DFID supported Cochin Urban Poverty Alleviation Project and dinner with:***

- Sebastian Paul MP, Ernakulam
- K V Thomas, MLA, Cochin
- K J Sohan, Former Mayor of Cochin
- A V George, Deputy Mayor of Cochin

**COCHIN – SATURDAY 23 OCTOBER*****Discussion on “Kerala Decentralisation Policies and People’s Planning Programme” with:***

- S M Vijayanand, Planning Secretary
- Kuty Ahmed Kuty, Minister, Local-Government
- James Varghese, IAS

***Dialogue with Civil Society***

(Discussions on the role of civil society, key social development issues and poverty challenges in Kerala) with:

- Dr Prem Nair, Director, Amrita Institute of Medical Science & Research Centre
- Ms C K Janu, Leader – Adivasi/Dalit Movement
- Geethanandan, Adivasi Movement
- Fr Kuriacos, Wayanad Social Service Society – working in tribal area
- Jose Kurian, CEVA (Cyril Elias Voluntary Association, NGO receiving Karl Kubel funding)
- V V Sudhakaran, Vice-chairman, Costford (affordable housing)
- Fr Jose, Malanad Development Society
- James Varghese, Executive Director, Socio-Economic Unit
- Ms Kochu Rani Mathew, Director, Health and Environmental Sanitation, Socio Economic Unit
- Ms M Kamalam, Chairperson, Kerala Women’s Commission
- Shantaram, Director, Kerala Women’s Commission
- Sunny George, KILA (Kerala Institute of Local Administration)

***Visit to DFID funded innovative urban housing for the poor (Cochin Poverty Alleviation Project)******Dinner with representatives of the media in Kerala.*****ANDHRA PRADESH ITINERARY: GROUP A****HYDERABAD - SUNDAY 24 OCTOBER**

Arrive Hyderabad from Cochin, via Mumbai

***Dinner and discussions with:***

- Padmashri Shantha Sinha, MV Foundation
- Ms Priya Dishengkar, Overseas Development Institute

**MAHABUBNAGAR – MONDAY 25 OCTOBER*****Meeting with:***

- Mr. Jagdeeshwar, Indian Administrative Service (IAS)
- Mahabubnagar District Collector
- Joint Director, Agriculture

- Joint Director, Animal Husbandry
- Project Director, Velugu
- Project Director, DWMA
- Executive Director, SC Corporation
- Mr. K Raju, IAS Commissioner, Rural Development
- Mr. Kishan Das, Assistant Project Coordinator, AP Rural Livelihoods Project

***Andhra Pradesh Rural Livelihoods Programme village - Appaipalli  
Visit watersheds, Meet self-help groups and Village Organisations  
Interact with Project Implementing Agencies***

***Lunch and discussion on Agriculture with***

- Dr. T Nagender Swamy, Executive Director, Villages In Partnership
- Mr. P V Satish, Deccan Development Society
- Mr. Shaik Anwar, Centre for World Solidarity
- Mr. Satya Bhupal Reddy, Reeds NGO
- Mr. Ramakrishna Reddy, Federation of Farmers' Association

***Amistapur village, ILO Project, International Programme for the elimination of child labour***

***Visit District Primary Education Programme/ILO Bridge School for former child labourers***

Meet ILO staff, employers' association, trade unions and parents

Mr M P Joseph, Project Manager, ILO-International Programme on the Elimination of Child Labour

**HYDERABAD – TUESDAY 26 OCTOBER**

***Meet Dr. Y S Rajasekhara Reddy, Chief Minister of Government of Andhra Pradesh (GoAP)***

***Meet Mr. K Rosaiah, Finance Minister, (GoAP)***

***Meet Mr. Krishna Rao, Principal Secretary and Mr Giridhar, IAS, (GoAP)***

***Meet Mr. Mohan Kanda, IAS, Chief Secretary (GoAP)***

***Meet Mr. Chandrababu Naidu, former Chief Minister and President - Telugu Desam Party***

***Meet representatives of Dalit organisations***

- Mr Paul Diwakar, National Campaign on Dalit Human Rights
- Dr S Prasad, National Campaign on Dalit Human Rights
- Mr. J Neelaiah, Director, Ankuram Sanghamam Poram
- Mr Bojja Tarakam, Senior Advocate, High Court, Dr Ambedkar Trust

***Meet Corporate Social Responsibility Organisation representatives***

- Mr. Manoj Kumar, CEO, Naandi Foundation
- Mr P K Madhav, Director, Byrraju Foundation
- Mr. Balasubrahmanyam, Strategic Team Leader, Dr Reddy's Foundation
- Dr. U Balaji, Director, Satyam Alambana Foundation

**HYDERABAD – WEDNESDAY 27 OCTOBER**

***Presentation on the activities of the Andhra Pradesh Urban Services for the Poor***

- Mr. Vandana Kumar, Municipal Commissioner, Kukatpally, Moosapet, Hyderabad
- Mr Somesh Kumar, IAS, Project Coordinator, AP Urban Services for the Poor

***Jagadgiri gutta slum:*** Visit infrastructure development activities and meet slum community members

***Visit Urban Programme for Advancement of Household Income***

***Meet Dr Jayaprakash Narayan,*** National Convenor, Loksatta, Punjagutta

***Lunch and discussions with***

- Dr I V Subba Rao, IAS, Prl.Secretary, Health, (GoAP), Secretariat, Hyderabad
- Mr Vijay Kumar, IAS, Commissioner, Municipal Administration, (GoAP)
- Mr J R Anand, IAS, Incharge, Principal Secretary, Municipal Administration, (GoAP), Hyderabad
- Mr Somesh Kumar, IAS, Project Coordinator, AP Urban Services for the Poor
- Ms. Damayanthi, IAS, Project Director, AP State Aids Control Society, Directorate of Health, Koti, Hyderabad

***Overview of Andhra Pradesh State Aids Control Society activities***

***Presentation by NGO representatives,*** (IRDS/MITRUDU)

***Discussions with Sexual Health Workers Project***

***Discussions with Sex Workers and Street Children:*** project in Nampally Railway Station area

***Meet Mr. D K Panwar, IAS, Principal Secretary, Energy,*** (GoAP)

***Depart for Delhi***

## **ITINERARY: GROUP B**

### **DELHI - THURSDAY 21 OCTOBER**

*Briefing with DFID India*

*Briefing with British High Commission*

*Lunch with Michael Arthur, CMG British High Commission and VSO volunteers*

*Pre-Uttar Pradesh visit meeting on the challenges of working in the state*

*Meeting with Chief Secretary*

Call on Mr. V. K. Mittal, Chief Secretary, Government of Uttar Pradesh (GoUP)

*Presentations & Interaction on key Initiatives of the GoUP*

- Finance
- Education
- Swajal (Water)
- Health

Uttar Pradesh Diversified Agriculture Support Project

## **UTTAR PRADESH ITINERARY: GROUP B**

### **LUCKNOW – FRIDAY 22 OCTOBER**

*Luncheon Briefing on UNICEF in Uttar Pradesh*

*Meeting with Mr. Vikraman, Chief General Manager, SIDBI*

*Meeting with expert commentators/people working in area of social exclusion and gender:*

- Dr. Devi Singh, Director, Indian Institute of Management, Lucknow
- Dr. Roop Rekha Verma, Hon. Director, Institute of Women Studies, Lucknow University
- Mr. Atul Chandra, Resident Editor, The Times of India, Lucknow
- Ms. Sunita Aron, Resident Editor, The Hindustan Times, Lucknow
- Mr. Sharad Pradhan, Correspondent, Reuters
- Dr. Shiraz Wajih, Secretary, Gorakhpur Environmental Action Group
- Ms. Manju Agarwal, Mahila Samakhya.
- Mr. Mohd. Naseer Ateeq, Project Officer, Underserved, UNICEF Office for Uttar Pradesh

### **LUCKNOW – SATURDAY 23 OCTOBER**

*Breakfast briefing on Polio with UNICEF and WHO*

*Meet up with the 'B' (back-up) Teams for Polio (Khairabad block, Sitapur district)  
See 'B' team activities and the work of the Community Mobilization Co-ordinators*

*Interaction with District Administration*

*Meeting with Mr. Mata Prasad Pandey, Honourable Speaker, UP Legislative Assembly)*

*Meeting with Ms. Mini Bhaskar, Programme Officer, Save the Children (SCF)/UK*

## **ORISSA ITINERARY GROUP B**

### **BHUBANESHWAR - SUNDAY 24 OCTOBER**

*Visit watershed; presentation in Bolangir, on Watersheds and Livelihoods*

Dinner with project staff; stay overnight in Bolangir

### **BOLANGIR – MONDAY 25 OCTOBER**

*Visit rural livelihoods/watershed development project*

*Puri district, visit reconstruction of primary schools destroyed in 1999 super cyclone*

*Lunch and presentation, Orissa Primary Education Programme Authority*

*Visit school at Garha Antuar*

*Visit school at Algum*

*Dinner reception with Government officials, NGOs, UN Agencies*

### **BOLANGIR – TUESDAY 26 OCTOBER**

*Meeting with UN organisations:*

- Mr Sanjoy Bandopadhyay, UNDP
- Mr S Ramanathan, UNFPA
- Mr Tom Olsen, UNICEF
- Dr R Samuel, WHO
- Mr B K Bal, IFAD & WFP

*Meeting with Members of the Orissa Legislative Assembly*

*Meeting with:*

- Dr Subas Pani, Chief Secretary
- Dr U Sarat Chandran, Principal Secretary Finance
- Mr P K Mishra, Special Secretary, Finance

*Meeting with:*

- Ajit Tripathy, Development Commissioner
- Dr R V Singh, Special Secretary Planning and Co-ordination Department & Convenor, Poverty Task Force

*Working lunch with NGOs*

*Meeting with Mr R N Senapati, Secretary Health and Family Welfare*

*Meeting with Mr GK Dhal, Secretary Schools and Mass Education*

*Meeting with Mr G C Nanda, Director Vigilance*

*Meeting with Mr N Patnaik, Chief Minister*

**BHUBANESHWAR – WEDNESDAY 27 OCTOBER**

## **DELHI ITINERARY : GROUPS A&B**

**DELHI – THURSDAY 28 OCTOBER**

*Breakfast meeting with representatives from the media*

*Briefing meeting with DFID India*

*Meeting with Mr. P.K. Hota, Secretary (Health and Family Welfare) GoI*

*Meeting with Ms. Kumud Bansal, Secretary, (Elementary Education and Literacy) GoI*

*Lunch meeting and roundtable with smaller bilateral donors:*

- Switzerland, Mr Kurt Voegele
- Canada, Mr Robert Woodhouse
- Norway, Mr Inge Tvelte
- Australia, Mr Andrew Adzic

*Meeting with World Bank:* Ben Massoud, Operations Manager and Stephen Howes, Senior Economist,

*Seminar with Delhi-based CSOs on Governance and Accountability*

*Visits to British Council and British High Commission Visa Session*

*Visit review meetings at DFID India*

*Lunch meeting with Indian Parliamentarians*

*Depart for London*

## List of acronyms

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AP	Andhra Pradesh
BJP	Bharatiya Janata Party
CAP	Country Assistance Plan
CSS	Centrally Sponsored Schemes
GoAP	Government of Andhra Pradesh
GoK	Government of Kerala
Gol	Government of India
GoO	Government of Orissa
GoWB	Government of West Bengal
MP	Madhya Pradesh
NDA	National Democratic Alliance
NRI	Non-Resident Indian
ODA	Official Development Assistance
ODI	Overseas Development Institute
SC	Scheduled Castes
ST	Scheduled Tribes
UP	Uttar Pradesh
UPA	United Progressive Alliance
WB	West Bengal

# Formal minutes

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**Wednesday 9 March 2005**

Members present:

Tony Baldry, in the Chair

Mr John Battle  
Mr Piara S. Khabra

Tony Worthington

The Committee deliberated.

Draft Report (DFID's bilateral programme of assistance to India), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs entitled 'Summary' read and postponed.

Paragraphs 1 to 145 read and agreed to.

Postponed paragraphs entitled 'Summary' read again and agreed to.

Annex agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order 134 (Select committees (reports)) be applied to the report.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

Several papers were ordered to be reported to the House.

[Adjourned till Thursday 10 March at 3.45pm]

## Witnesses (page numbers refer to Volume II)

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### Tuesday 15 June 2004

Page

**Dr Michael Lipton CMG**, Research Professor of Economics, Poverty Research Unit, University of Sussex and **Professor James Manor**, Institute of Development Studies, University of Sussex Ev 1

**Mr John Grimond** and **Mr Christopher Lockwood**, *The Economist* and **Mr David Loyn**, BBC Ev 10

### Monday 5 July 2004

**Dr Charlotte Seymour-Smith**, Head, DFID India, **Mrs Aruna Bagchee**, Senior Governance Adviser, DFID India and **Mr Jeremy Clarke**, Chief, Regional Policy and Strategy, DFID UK Ev 15

### Wednesday 15 September 2004

**Dr Mark Robinson**, Fellow, Governance Team, Institute of Development Studies, University of Sussex and **Dr Rathin Roy**, Development Economist Ev 27

**Professor John Farrington**, Research Fellow, Rural Policy and Governance Group, Overseas Development Institute and **Dr Caroline Dyer**, Senior Lecturer, Development Practice, POLIS (Department of Politics and International Studies), University of Leeds Ev 36

### Tuesday 7 December 2004

**Rt Hon Hilary Benn MP**, Secretary of State for International Development, and **Dr Charlotte Seymour-Smith**, Head, DFID India Ev 44

## List of written evidence (page numbers refer to Volume II)

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Department for International Development	Ev 55; Ev 62; Ev 88
ActionAid India	Ev 92
Action Village India	Ev 94
Asian Development Bank, India Resident Mission	Ev 95
Dalit Solidarity Network UK	Ev 97
National Association of Software and Service Companies (NASSCOM)	Ev 98
Dr Michel Pimbert	Ev 100
Voice of Dalit International (VODI)	Ev 101
VSO	Ev 103
Y Care International	Ev 104

# Reports from the International Development Committee since 2001

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The Government Responses to International Development Committee reports are listed here in brackets by the HC (or Cm) No. after the report they relate to.

## Session 2004-05

First Report	Commission for Africa and Policy Coherence for Development: First do no harm	HC 123
Second Report	Work of the Committee in 2004	HC 326

## Session 2003-04

First Report	Trade and Development at the WTO: Learning the lessons of Cancún to revive a genuine development round	HC 92-I and II ( <i>HC 452</i> )
Second Report	Development Assistance and the Occupied Palestinian Territories	HC 230-I and II ( <i>HC 487</i> )
Third Report	International Development Committee: Annual Report 2003	HC 312
Fourth Report	Kenya: DFID's Country Assistance Plan 2004-07 and Progress Towards the Millennium Development Goals	HC 494 ( <i>HC 857</i> )
Fifth Report (First Joint Report)	Strategic Export Controls Annual Report for 2002, Licensing Policy and Parliamentary Scrutiny	HC 390 ( <i>Cm 6357</i> )
Sixth Report	Migration and Development: How to make migration work for poverty reduction	HC 79-I and II ( <i>HC 163, Session 2004-05</i> )
Seventh Report	DFID's Agriculture Policy	HC 602 ( <i>HC 1273</i> )
Eighth Report	Department for International Development: Departmental Report 2004	HC 749 ( <i>HC 327, Session 2004-05</i> )

## Session 2002-03

First Report	Afghanistan: the transition from humanitarian relief to reconstruction and development assistance	HC 84 ( <i>HC 621</i> )
Second Report	International Development Committee: Annual Report 2002	HC 331
Third Report	The humanitarian crisis in southern Africa	HC 116-I and -II ( <i>HC 690</i> )
Fourth Report	Preparing for the humanitarian consequences of possible military action against Iraq	HC 444-I and -II ( <i>HC 561</i> )
Fifth Report (First Joint Report)	The Government's proposals for secondary legislation under the Export Control Act	HC 620 ( <i>Cm 5988</i> )
Sixth Report (Second Joint Report)	Strategic Export Controls Annual Report for 2001, Licensing Policy and Parliamentary Scrutiny	HC 474 ( <i>Cm 5943</i> )
Seventh Report	Trade and Development at the WTO: Issues for Cancún	HC 400-I and II ( <i>HC 1093</i> )

Eighth Report	DFID Departmental Report 2003	HC 825 ( <i>HC 231, Session 2003-04</i> )
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### Session 2001–02

First Report	The humanitarian crisis in Afghanistan and the Surrounding Region	HC 300-I and –II ( <i>HC 633</i> )
Second Report	The Effectiveness of the Reforms of European Development Assistance	HC 417-I and –II ( <i>HC 1027</i> )
Third Report	Global Climate Change and Sustainable Development	HC 519-I and -II ( <i>HC 1270</i> )
Fourth Report (First Joint Report)	Strategic Export Controls: Annual Report for 2000, Licensing Policy and Prior Parliamentary Scrutiny	HC 718 ( <i>CM 5629</i> )
Fifth Report	Financing for Development: Finding the Money to Eliminate World Poverty	HC 785-I and –II ( <i>HC 1269</i> )
Sixth Report	DFID: Departmental Report 2002	HC 964 ( <i>HC 357, Session 2002-03</i> )