



House of Commons
International Development
Committee

**DFID's bilateral
programme of assistance
to India: Government
Response to the
Committee's Third Report
of Session 2004–05**

Fourth Special Report of Session 2004–05

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Fourth Special Report

On 17 March 2005 the International Development Committee published its Third Report of Session 2004-05, *DFID's bilateral programme of assistance to India*, HC 124. On 1 April 2005 we received the Government's response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Select Committee's conclusions and recommendations are in bold text. The Government's response is in plain text.

Appendix: Government response

Preface

The Government welcomes the International Development Committee's report and the additional attention that its Inquiry has brought to the challenge of reducing poverty in India. We agree with the majority of the Committee's analysis and recommendations, many of which are already DFID policy. Of the 41 conclusions and recommendations made in the report, we particularly welcome the Committee's suggestions that DFID India (DFIDI) should increase the transparency of its operations, strengthen its focus on impact assessment, pay even greater attention to social exclusion and inequality, and develop its communication strategy further. We are also grateful for the Committee's recognition of the genuine partnership that we have with the Government of India, which informs much of what we do. As recommended by the Committee, we will continue to develop other strategic partnerships with civil society and other donors. The report is particularly timely as it will inform our emerging thinking on DFID's medium-term role in India, as it reaches middle-income country status, including the balance between national and state-level work and between poor and the poorest states.

Conclusions and Recommendations

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).

Answer: All but three of the MDGs (income poverty, TB and access to safe water) are "off-track" in India — that is, they are unlikely to be met on projected trends. The extent of the challenge in meeting them does, however, vary. Of these off-track MDGs, DFID particularly prioritises health (including maternal and child mortality and HIV/AIDS) and basic education. Forecast expenditure on these sectors is 50% of DFID's India programme in 2005/6. We are currently developing options for engaging with the Government of India (GoI) in support of a key programme addressing child malnutrition, which addresses a further two of the off-track MDGs, hunger and child mortality.

2. We are convinced that, at present, India qualifies easily for DFID's assistance, on both high poverty and good governance grounds (Paragraph 24).

Answer: We agree.

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).

Answer: We agree that these are important strategic questions for the longer term. As India approaches MIC status, DFID will seek to reconcile its commitment to India's poorest states with its commitment to allocate 90% of programme resources to low income countries. DFID India carried out some initial forecasting work last year to inform thinking. We will build on this to clarify our long-term strategy as India reaches middle-income country (MIC) status, particularly to ensure a smooth transition from the current aid programme.

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).

Answer: Poverty was one of the key criteria used by DFID when selecting focal states in India. Other criteria included the state governments' commitment to poverty reduction and improving governance, and their interest in working in partnership with the UK to reduce poverty. By any measure, the states of Madhya Pradesh and Orissa are some of India's poorest. While per capita incomes in Andhra Pradesh and West Bengal's are now around the national average, partly reflecting the successful growth rates seen recently in these states, there are still a significant proportion of poor people among their large populations. Following visits by the Secretary of State and Parliamentary Under Secretary of State in the second half of 2004, we are now committing further staff resources and efforts to looking at how to engage with the poorest states. A strategy is being prepared for future support to Uttar Pradesh and Bihar, and the National Programme is helping GoI to focus the impacts of its massive social sector schemes upon the poorest states.

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).

Answer: DFID does not impose conditionality on its funding to central government. We jointly review progress against agreed objectives. Policy conditionality would be inappropriate given the very low share of aid in the budget and the strong lead given by GoI in determining priorities and policies. DFID and other donors can, of course, influence programme design and process issues such as monitoring and evaluation, community participation and financial management (see. e.g. response to Conclusion no. 30), but such influence is the result of dialogue with the GoI Ministry in question. We consider this a fundamental source of strength in the GoI-donor relationship. At state level, DFID does have programmes where the release of funds may be dependent on performance against agreed actions covering both policy and process. In such cases, we will seek to ensure adherence to the principles set out in the Consultation Paper (now formalised as the “Partnerships for Poverty Reduction: Rethinking Conditionality” policy paper), relating for example to country ownership, predictability, transparency and accountability.

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).

Answer: We note the Committee’s recommendation and are taking steps to ensure that we undertake systematically analysis of risks to development assistance in India.

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).

Answer: We agree. The UK/India Prime Ministerial Declaration, signed by Prime Ministers Tony Blair and Manmohan Singh in September 2004, recognises the relationship between the two countries as being the strongest it has ever been. The Declaration reflects an increasingly mature relationship, recognising India’s important global role and highlights the shared democratic values and mutual interest of both countries in combating key global challenges. In the same way, our relationship on development co-operation reflects an increasing maturity and recognises India’s growing role as a donor.

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).

Answer: GoI's International Development Initiative (IDI) is currently under consideration by the Cabinet Committee prior to final approval. In recent discussions, the Department for Economic Affairs (DEA) expressed interest in a possible UK/India roundtable to share experiences as donors, which we are planning to hold during the forthcoming visit to India in July 2005 of DFID's Permanent Secretary.

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

Answer: We welcome the attention given to the environment MDG. HMG recently launched its new UK sustainable development strategy, including actions in the UK and internationally. The strategy includes work to address environmental opportunities and risks in national development plans, and encourages all donors to do likewise. A bilateral sustainable development dialogue is being established with India, as well as one for climate change. In support of efforts to achieve the water and sanitation MDG targets in India, DFID is considering further collaboration with the World Bank's Water and Sanitation Programme, to which we have already committed £2.9m (1999–2004), and with WaterAid. We have also recently agreed a further £20m support to the second phase of UNICEF's Child Environment Programme (2004–2008), in addition to the £17.5m committed during the first phase of the programme (1999–2004).

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).

Answer: DFID agrees with the Committee that it has a valuable role to play in drawing the GoI's attention to socially excluded groups, and seeks constructive ways of enabling Government and civil society to collaborate in this. DFID will focus on evidence of improved access to services by socially excluded groups in its joint reviews with other development partners in sector programmes, such as the national education-for-all Sarva Shikshya Abhyan programme. DFID has been asked by GoI to facilitate a system of Community Monitoring for the new Reproductive and Child Health programme, which will lever the government's own resources to focus on the poorest. When new programmes are designed, DFID expects monitoring to be disaggregated by official categories such as "Scheduled Caste" and "Scheduled Tribe" or "Below Poverty Line", where appropriate.

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).

Answer: The current Country Assistance Plan (CAP) was strongly informed by the recognition that social exclusion is a major barrier to poverty reduction in India. As part of the CAP process, DFIDI produced approach papers on gender and on social inclusion, which led to increased significance being given to these issues across DFIDI. Genuine efforts have also been made by DFIDI to get social equity and gender issues on the agenda for the Centrally Sponsored Schemes that we are supporting in our policy dialogues with GoI. DFIDI has ensured that social-equity audits are carried out for all DFID-funded tsunami response programmes; other NGOs are also voluntarily undertaking this audit procedure, with the help of Christian Aid. DFID welcomes the Committee's recommendation to undertake gender and social exclusion audits across its programme. We will continue to look for ways to do this effectively, possibly drawing on existing civil society initiatives.

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).

Answer: We welcome the Committee's recommendation that social exclusion should be a central objective of DFID's India programme, and will look for support from other UK government departments to ensure a consistent UK approach towards social exclusion issues. DFIDI is entering into new partnerships with International NGOs (INGOs) via the new Partnership Agreement Programme (IPAP). These partnerships are expressly focused on the various forms of social exclusion and discrimination based on caste, tribe or religious identity, gender or disability, and on children. An advisory board of GoI and DFID officials and Indian civil society representatives is being set up for IPAP and will provide a useful platform on which to continue to raise these issues. DFID will also continue to raise issues of social exclusion and inequality in its ongoing policy dialogue and with GoI.

13. We encourage DFID to increase the relatively small budget currently allocated to work with civil society groups representing socially excluded groups (Paragraph 48).

Answer: We note the Committee's recommendation. Social exclusion objectives are central to DFID's support for the Poorest Areas Civil Society Programme (PACS), to which we have provided £2.5m support this year and are looking to provide £6m in FY05-06 and £7m in FY06-07. The recently approved INGO Partnerships Agreement Programme

(IPAP) will also provide £20m support over 5 years to enable NGO networks to focus on basic rights for marginalised social groups.

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).

Answer: We agree and are working with UNDP and GoI to design the 'Access to Justice Programme' that addresses judicial and penal reform in India, both nationally and at state level. This programme, which should be agreed by UNDP and GoI in mid-2005 and to which we are proposing to provide £30m support over 5 years, will increase our existing engagement with the key players on justice reform issues, including the Indian National Human Rights Commission. The programme will also include a 'Justice Innovations Fund' to fund civil society organisations to develop work on access to justice, including issues of judicial and penal reform.

15. We encourage DFID to explore the potential benefits of collaborating with other donors and agencies to address governance issues (Paragraph 55).

Answer: We welcome this recommendation. DFIDI does collaborate closely with other partners, particularly the World Bank, in addressing governance issues, e.g. through Public Expenditure Management (PEM) reforms in the focus states, and institutional reforms in the jointly supported centrally sponsored schemes in health and education. We will explore more opportunities to strengthen collaboration with other donors and agencies to address governance issues.

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).

Answer: We agree that our links with MLAs and MPs are largely informal and indirect. Opportunities may be limited for DFIDI to attempt directly to raise the profile of development issues with these groups. However, we will explore feasible ways in which we can attempt to do this. Improved transparency and communication will be an important element of our approach.

17. We encourage DFID to work with UK companies to help them maximise the pro-poor benefits of their engagement with India (Paragraph 63).

Answer: We note the Committee's recommendation, though the focus of our work must be to continue to develop partnerships with the Government and NGOs.

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).

Answer: We agree. DFID is working to remove barriers to, and lower costs of, sending remittances and is surveying remittance products available to the South Asian diaspora in the UK. Leaflets will be distributed on this, and a website comparing money transfer products to India and other countries has been developed. DFID raises awareness of development issues amongst diaspora groups in the UK, has produced booklets on the MDGs with Hindu, Sikh and Muslim groups and shared DFID's Country Assistance Plan for India.

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).

Answer: The emphasis on National Programmes reflects judgements about the important contribution they can make to poverty reduction. The increase in National Programme spending from 2003/4 to 2004/5 is the result of decisions taken in 2002 to support Reproductive and Child Health and Sarva Shiksha Abhiyan, both of which relate directly to off-track MDGs. DFID resolved to make large investments in these sectors in recognition of the size of the development challenge, and the potential for decentralised management and increased funding to deliver results on the ground. In allocating funds between its five programmes in India, DFID also rightly takes account of the GoI's Department of Economic Affairs' specific decision to halt bilateral funding of general budgetary support to states.

Please note that the spending figures for the National Programme in paragraph 84 also include state-level projects in non-focus states. This accounts for 15% of the total.

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).

Answer: We acknowledge the need for greater efforts to set out the justification for resources allocation decisions and to monitor the impact of our assistance. The assistance to Andhra Pradesh was higher than that to other states for two main reasons. The first is the maturity of the programme, reflecting our long-standing engagement in Andhra Pradesh, and the development of large innovative projects such as the Urban Services for the Poor and Rural Livelihoods projects. The second reason is the decision to provide budgetary assistance in support of fiscal, economic and public sector reform, which were large payments tied to the completion of agreed actions. It was anticipated that this assistance would be medium-term, and that on completion of the reform programme, it would cease. As the Committee notes, fiscal reform is one of the most pressing development challenges for India, and the consequences and costs of failing to address fiscal problems are well-known; its benefits accrue mainly over the medium and long term. Andhra Pradesh was at the forefront of states addressing the most important issues for fiscal reform such as power sector and public enterprise reform. In deciding to support its efforts, DFID considered that its success would provide a model and encourage other states to grapple with these issues. DFID is currently considering the level and focus of support we should give to Andhra Pradesh after 2008, when current programmes come to an end.

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).

Answer: We agree, and are keen to ensure that our support to India does not exacerbate any inequalities, including those between states. Backing reforming states is only one aid allocation criterion; others include population size, income poverty, the presence of other donors, and the preferences of the Government of India. We are currently considering how and when to taper our programmes in better performing states so that resources are freed for work in poorly performing areas.

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).

Answer: DFID India will submit a strategy to ministers for working in Uttar Pradesh and Bihar shortly. As the Committee has noted, we are now providing support to the two states’ AIDS Control Societies, as well as to the World Bank to help upgrade financial management in Bihar and to UNICEF for a range of health, education and child protection programmes, including polio eradication. In order to safeguard DFID’s reputation and fiduciary responsibilities, we will continue to be selective in our choice of partners.

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).

Answer: We agree. Our approach to partnerships is to assess the benefits of collaboration on a case-by-case basis and to select the most appropriate partnership for the objective in question. We concentrate our efforts where we can add the most value and have the greatest influence. An example of this is our collaboration with the World Bank on the Reproductive and Child Health II (RCHII) programme, in which we have been successful in insisting on an assessment of whether basic healthcare services are reaching the poorest. Partnerships with civil society allow us to pursue other objectives (see response to Recommendations 12 to 14).

24. We think it is sensible for DFID to reallocate funds previously directed through PRBS to the state-level budgets needed in order to secure the release of centrally sponsored scheme funds (Paragraph 91).

Answer: We agree, and are actively pursuing this approach in our focus states. In addition to financial support that will help states secure the release of central funds, we are supporting the preparation of relevant plans and sector strategies.

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).

Answer: Resource constraints prevent DFID from hands-on engagement in more than a small number of states. One advantage of Centrally Sponsored Schemes is their nationwide coverage, including non-focus states. Under current plans, our support for Centrally Sponsored Schemes will remain at around 40 per cent of our programme resources.

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).

Answer: We are pleased that the IDC recognises DFID's contribution to India's fight against HIV and AIDS and is encouraging us to do more. In 2005, we will be supporting the Government of India in designing the next phase of the National AIDS Control Programme. This will determine our level of support beyond 2007 and, in line with international and UK policy, the process of design will be based on the UNAIDS "Three Ones" principles — **One** agreed national HIV/AIDS framework, **One** National AIDS Coordinating Authority and **One** agreed country-level monitoring and evaluation system.

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).

Answer: We agree that the impact of DFID's involvement in appraisal of SSA may not be immediately apparent, but is nonetheless significant. The key agreements reached between GoI and the Development Partners, where DFID has been influential, were: the introduction of more stringent financial management and procurement procedures governing the scheme; a percentage (or incentive) based financing mechanism that ensures increasing national (and State) resources; and a strengthened monitoring protocol that focuses on disadvantaged groups and areas. While DFID and other external partners did not contribute directly to the design of SSA, the programme structure and approach draw extensively on the previous experiences of DFID-funded projects including the District Primary Education Programme and Lok Jumbish, particularly with regard to improved services to disadvantaged and marginalised groups.

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).

Answer: We agree, and have taken the same approach in negotiating a £250 million package of support to the GoI Reproductive and Child Health Programme, Phase 2 (RCHII), which is due to be submitted for approval shortly. The Committee may wish to note that the sectors in which DFID is engaged at central level saw large increases in allocations in the recent Government of India Budget for 2005-2006, along with other key poverty programmes.

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).

Answer: Measuring the impact of Centrally-Sponsored Schemes (CSSs) is not only important for DFID; it is also a key step to ensuring that GoI and states use their funds to good effect. That is why DFID is helping the Ministry of Human Resource Development to develop better Education Management Information Systems to measure the impact of Sarva Shiksha Abhiyan (SSA), and is helping the Ministry of Health and Family Welfare to monitor the impacts of the Family Welfare Programme in different states through NGOs as well as through government officials. DFID, GoI and other donors share the monitoring framework for these two programmes.

There is also the question of attribution, or how much of a CSS's measured impact can be attributed to DFID's involvement. Although it would theoretically be possible to allocate project benefits to DFID pro-rata to its contribution, this would be somewhat artificial, especially as much of our impact comes through dialogue as well as funding. DFID therefore follows the guidance of the UK National Audit Office that collective attribution is appropriate in the case of funding from multiple sources.

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).

Answer: Although hard evidence of donor influence on project negotiations is often elusive, we do have good examples of DFID influence on Sarva Shiksha Abhiyan (SSA) and Reproductive and Child Health II (RCHII). For SSA, an examination of the records would show that GoI took decisions to improve financial systems, and to introduce incentive-based funding and innovations from other DFID-funded programmes (District Primary Education Programme, Lok Jumbish) as a result of DFID involvement with the donor consortium. For RCHII, we have directly observed GoI adopt policies on public-private partnerships, performance-based funding, bottom-up planning, and the safe disposal of syringes, impact monitoring, incentive-based funding and financial management as a result of DFID involvement with the donor consortium. We agree with the Committee that we need to record such evidence more systematically and to disseminate it as appropriate.

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).

Answer: We agree. We are looking at ways to improve lesson learning between states as well as within those in which we work, and are supporting work to increase knowledge sharing between partners. The Government of India is also looking at lesson learning between states and is keen for more rigorous ex-post impact assessment of DFID programmes, so that lessons are learned. We have agreed to pursue this with the Department of Economic Affairs.

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).

Answer: DFID is committed to supporting civil society organizations through the PACS programme for seven years and is looking at how PACS support in Uttar Pradesh and Bihar could be enhanced. Design work for a programme of support to civil society in West Bengal is also well under way. The recently approved INGO Partnerships Agreement Programme (IPAP) will also provide £20m support over 5 years to strengthen collaborative working and advocacy of INGOs and NGOs at the national level in India and to enable civil society to play a significant role in informing pro-poor policy.

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).

Answer: We agree. In January 2000 DFID set up a dedicated Contract and Procurement Advice Section (CaPAS) in its India office. To date CaPAS has let over a 1,000 contracts to Indian consultants with a total value of £15 million. The drafting of Terms of Reference and evaluation criteria, as well as the actual technical evaluation of bids frequently involves GoI partner participation. Reports and outputs from these consultancies are shared with our partners. Through this inclusive process, recipients are provided with a full opportunity to be involved at all stages of the design and implementation process enabling them to take an informed view of the advice they are provided with through DFID technical assistance.

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).

Answer: We agree that technical assistance (TA) can play an important role in building institutional capacity, particularly at the state level, in a range of areas such as power sector reform, public expenditure management, taxation, governance and health sector reform. We will continue to make use of TA where it can add value, and pay close attention to monitoring its appropriateness and cost effectiveness. This will not necessarily result in a higher proportion of our total resources going towards TA, however, given increased levels of financial investment in government programmes tackling off-track MDGs. We recognise the importance of researching and disseminating good practice and aim to devote more attention to this, in collaboration with other donors. We are supporting financially a UN-led initiative to establish and facilitate knowledge networks across India on key MDG themes.

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 subcontinent (Paragraph 128).

Answer: We believe that DFID's contribution to capacity building, through global networking, is an important part of our legacy to the sub-continent. This has included programme level collaboration through joint research and other collaborative analytical studies and through north-south resource centre arrangements. There is a long history of such networking, which has been highly mutually beneficial.

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).

Answer: We agree that impact evaluation is an important challenge, and are working with partner governments to improve systems for monitoring and evaluation. Examples include engagement with GoI on the major health and education schemes we are supporting (see response to Recommendation 29), statistical work on progress towards the MDGs for disadvantaged social groups in Andhra Pradesh, and analysis on extending the reach of rural livelihood programmes to marginalized groups. We note, however, that effective impact evaluation is hampered by institutional and political constraints, as well as by lack of good data. There are signs that the present Government of India wants to link resources more clearly to outcomes and we will seek opportunities to work alongside GoI on this agenda. On the question of disaggregation of DFID's impact, please refer to the response to Recommendation no. 29.

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).

Answer: We are currently supporting work on State Human Development Reports under a Trust Fund with UNDP. A Trust Fund to support collaboration with UNICEF is in the pipeline, which is likely to include work on data and evaluation relating to child rights.

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).

Answer: We note the Committee's recommendation that DFID should develop its information strategy further. We are currently developing an external communications strategy for DFID India that is focused around communicating the Department's objectives and policy decisions more effectively to our stakeholders and building greater awareness and support for poverty reduction in India

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).

Answer: We agree that the results from our continuing efforts to improve the management of the India programme should be monitored. The Departmental Annual Reports are an appropriate media for sharing this information.

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).

Answer: Our programme is focused on providing support to achieve more rapid progress on off-track MDGs in India, particularly health and education. To achieve this, we work with central and state governments, civil society, and other external partners. We have rigorously focused our project portfolio, prioritised some partnerships over others, and restructured our office to increase our efficiency and effectiveness. We will continue to improve our strategic focus.

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).

Answer: We agree. Information on staff reductions through redundancy will be published each year in our staff plan.

Department for International Development

1 April 2005