



House of Commons  
International Development  
Committee

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**The Future of DFID's  
Programme in India:  
Government Response  
to the Committee's  
Eighth Report of  
Session 2010–12**

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**Seventh Special Report of Session  
2010–12**

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## International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for International Development.

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### Powers

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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

### Committee staff

The current staff of the Committee are David Harrison (Clerk), Anna Dickson (Committee Specialist), Chlöe Challender (Committee Specialist), Anita Fuki (Senior Committee Assistant), Vanessa Hallinan (Committee Assistant), Paul Hampson (Committee Support Assistant) and Nicholas Davies (Media Officer).

### Contacts

All correspondence should be addressed to the Clerk of the International Development Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 1223; the Committee's email address is [indcom@parliament.uk](mailto:indcom@parliament.uk)

# Seventh Special Report

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On 14 June 2011 the International Development Committee published its Eighth Report of Session 2010-12, *The Future of DFID's Programme in India*, HC 616. The Government's Response was received on 5 September 2011 and is appended to this Report.

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

## Government response

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### Introduction

The International Development Committee (IDC) carried out an inquiry on the future of the UK's international development programme in India. The inquiry consisted of oral and written evidence and a country visit in March 2011. The IDC published its report, *The Future of DFID's Programme in India*, on 14 June 2011.

The report supports and endorses the Government's intention to continue the UK's development cooperation programme in India up to 2015. The report makes clear that despite the Government of India's achievements in rapid economic growth and falling poverty levels, the scale of the poverty challenge remains great, and UK aid makes a distinct and value-added contribution to poverty reduction. The report proposes that after 2015 the relationship should change, with continuing technical assistance but a changed funding mechanism.

This paper sets out the Government's response to each recommendation in sequential order. The Government agrees with many of the Committee's recommendations and will work to take these forward as part of the enhanced UK-India relationship agreed by Prime Minister Cameron and Prime Minister Singh during Mr Cameron's visit to India in 2010.

The Secretary of State for International Development has reached agreement with the Government of India on the structure of the UK's development programme in India to 2015. The Government delayed finalising DFID's 2011-2015 Operational Plan for India in order to ensure that the recommendations of the IDC could be taken into account. The Government expects to publish the Plan on the DFID website in September 2011.

**1. India has a large and growing economy and its spending on pro-poor policies has increased. The Government of India is increasing its tax revenues and this will enable it to do more to end poverty there. Its middle class, though small, is paying taxes. Although India has a space programme, this has important socio-economic benefits including mapping weather patterns and flooding, both of which can assist development. Moreover India needs a credible defence programme and satellites may be part of this. India suffers from corruption, but in parts of India where DFID has focused its work, for example Bihar, the state Government has made a serious effort to reduce corruption. DFID is also assisting this. Despite corruption, money does get through to services, as the increase in school attendance rates demonstrates. (Paragraph 27)**

**2. Given current high levels of poverty in India we agree with the Government's decision to maintain an aid programme in India until 2015 provided it can make a difference. Not every DFID project currently does this and DFID must be more rigorous in its choices over the next four years, funding only projects which have a clear development benefit and which national or state governments would not otherwise fund. DFID rightly focuses on catalytic, demonstration projects which can be replicated and scaled up. This approach should continue. (Paragraph 28)**

#### **Agreed**

1. The Government welcomes the endorsement of DFID's India programme to 2015 by the IDC.
2. Prime Minister Cameron and Prime Minister Singh have committed to enhance the UK-India relationship. India is a key strategic partner to Britain and an important member of the Commonwealth - it is in Britain's and India's interests that we maintain our successful partnership on development as part of a wider enhanced relationship.
3. In a speech in February 2011, the Secretary of State for International Development outlined plans for transition in the development relationship with India. Over the next four years, the UK will work with Indian partners to make a real difference to the lives of millions of the world's poorest people. Despite the Government of India's significant achievements, not everyone has benefited equally from India's progress. In the longer term, as in other emerging economy partners, we aim to transition from an aid-based development relationship into a partnership on critical global issues, ranging from financial stability, inclusion and trade to climate change and food security.
4. Since the publication of the IDC report the Government has reached agreement with the Government of India on the future shape of the UK's development programme in India and its continuation at current levels, around £280m per year, until 2015.
5. The Secretary of State for International Development initiated the Bilateral Aid Review (BAR) to refocus DFID's work on the poorest and ensure best value for money from the whole bilateral programme. India ranked very highly in the

Review's assessment of countries according to their levels of need and their capacity to use aid effectively, suggesting that the potential for DFID's programme to achieve good value for money in India is strong.

6. All DFID programmes undergo rigorous appraisal processes to ensure that resources are invested where they can drive the greatest impact on poverty reduction. Changes introduced by the current Government mean that all proposals for DFID funding must be accompanied by a business case including a detailed assessment of options for delivering the intervention and an analysis of costs and benefits to ensure value for money is maximised. The Secretary of State also instigated new measures to ensure that DFID is more transparent and open to scrutiny by the public; and established the Independent Commission for Aid Impact to ensure independent evaluation of DFID's work.
7. The Government considers the impact of our resource contribution before deciding to support an intervention. We will not support an intervention unless we assess that there will be clear added value as a result of UK support.

### Poorest states focus

**3. DFID plans to spend an increased proportion of its budget in India's poorest states. We understand that the reasons behind this include not wanting to spread resource too thinly. However DFID must ensure that the Government of India, at national and state levels, fully understands and agrees with DFID's aims and objectives since the Government of India has primary responsibility for its own development. DFID's work in helping state Governments to access central funds and manage resources better has been very successful and should remain a key part of DFID's programmes in its focus states. (Paragraph 41)**

#### Agreed

8. The Government welcomes the IDC's endorsement of DFID's proposal to focus its aid on India's poorest states, recognising that this is where India's own resources are most thinly spread and external assistance can make the biggest difference. DFID's established state partnerships in Bihar, Madhya Pradesh and Orissa will continue. Some elements of our work (including in private sector development, climate change and governance) may extend across a group of eight lower-income states<sup>1</sup>.
9. The Government agrees that development efforts must be carried out in partnership with the Government of India. The objectives, sectoral composition and geographical shape of the future programme have been discussed in full with the Government of India and agreement reached.

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<sup>1</sup> In addition to Bihar, Madhya Pradesh and Orissa, these states are Chhattisgarh, Jharkhand, Rajasthan, Uttar Pradesh and West Bengal.

10. Working with state governments to ensure the most effective use of central government programmes and funds will remain a central part of our state partnerships. This is where DFID has been able to achieve sustainable development results and good value for money in the past. We also aim to work with partners in trialling innovative approaches and building evidence which then contributes to the poverty reduction strategies of the Government of India and state governments. Innovations and approaches which are taken up in this way reach very large numbers of poor people.

## Sanitation

**4. Poor hygiene and sanitation is costing India \$54 billion a year or 6% of GDP. Yet many of the problems associated with it can be addressed at community level relatively inexpensively. In particular the Community-Led Total Sanitation Programme (CLTS) offers a road tested, low cost alternative to expensive programmes based on distributing sanitation hardware. Sanitation is the first step to improvements in health yet DFID allocates only 1% of its programme to water and sanitation and over 40% to health. DFID should switch resources from health to sanitation and give sanitation a much higher priority in the programme to 2015 including rolling out support to CLTS. We also recommend that any future investments in sanitation should be linked to and carried out in conjunction with hygiene education. (Paragraph 48)**

## Agreed

11. The Government welcomes the strong support by the IDC for sanitation and water and agrees with the recommendation to support low-cost, effective approaches to sanitation. DFID is piloting Community-Led Total Sanitation in several districts in partnership with the Government of Bihar and it will be rolled out more widely if it proves to be effective.
12. The World Health Organisation considers hygiene promotion to be the most cost-effective public health intervention in the world, and our future work will focus heavily on this.
13. The Government will double support for water and sanitation over the next 4 years. We believe our support can lead to an additional 5 million people accessing better sanitation services. We recognise the Committee's concern that resources spent on water and sanitation will be a relatively small part of our programme. The Government of India is investing heavily in water and sanitation. We believe DFID can contribute most effectively by providing technical expertise and other support to optimise the value of this spending. We will keep the level of spending on water and sanitation under review in the light of progress.

## Nutrition

**5. We fully support DFID's emphasis on tackling under-nutrition in India and working with the Government of India on this important issue. The persistently high rates of child under-nutrition in India concern us greatly and must be addressed. DFID has identified India as a focus for its new Nutrition Strategy and has said it plans to work with the Government of India to target 3.9 million children under-five with nutrition programmes by 2015. We welcome the Secretary of State's emphasis on the 'first 1000 days' of a child's life. We recommend that DFID refine its programme to focus on the first 1000 days rather than under-five children more generally. (Paragraph 54)**

### Agreed

14. The Government welcomes the IDC's endorsement of DFID's approach to tackling under-nutrition in India.
15. Over the next 4 years, DFID aims to reach over 3 million children through nutrition programmes in partnership with the Governments of Madhya Pradesh, Bihar and Orissa. These programmes will include: child feeding, micronutrient supplements, diarrhoea management and trained community health workers.
16. We will work with the Indian Government on a national campaign on the importance of getting nutrition right during the first 1,000 days of a child's life. Because of the links between drinking water, sanitation and diarrhoea, we will also be promoting sanitation and hygiene.
17. We will use research to answer questions that will make a big difference to improving nutrition in India and elsewhere, e.g. on the impact of double fortified salt and how to manage severe acute malnutrition through community-level action.
18. We also hope to work with India within the G20 to tackle global food security and with the World Bank to improve food security and nutrition across South Asia.

## Maternal and child health

**6. India is making slow progress in reducing maternal, child and neonatal deaths. Progress is most slow in the poorer states and amongst the poorest people. DFID's new programme should have a strong focus on this area. To ensure such investments are properly targeted to achieve results among the poorest, we recommend that DFID fund a group of epidemiologists, or other appropriate researchers, to collect data over a given period on caste, tribal and religious affiliation of those who access maternal services or have institutional deliveries. This should enable the Government of India to make more informed decisions about how to target its interventions in this important area. (Paragraph 62)**

**The Government agrees with the importance of disaggregated data, but believes that adequate data are available without further studies.**

19. The Government of India is making progress in reducing maternal, child and neonatal deaths, but significant challenges still remain. India's under-5 mortality rate improved from 118 to 66 per 1,000 births between 1990 and 2009. In 2008 there were 230 maternal deaths per 100,000 live births in India (statistics from UNICEF). Since the latest figures are from 2008, they do not show any impact from more recent measures taken by the Government of India.
20. Supporting poor women and girls in the low income states is central to the UK development programme. We want to help them get the quality schooling, healthcare, nutrition and jobs which are the key to breaking the cycle of poverty for the next generation.
21. The focus of DFID health programmes in Madhya Pradesh, Orissa and Bihar is on reducing deaths due to pregnancy and childbirth, improving child health and nutrition. We estimate that our health programmes - by working in partnership with the state governments - will allow 500,000 women to give birth safely in health facilities, and will avert 75,000 child deaths.
22. DFID has supported household surveys and commissioned analysis on the use of health services by wealth, religion and caste. State governments can then use the data to help them allocate resources.
23. For example, in Madhya Pradesh the analysis of survey data on deliveries at health facilities shows an increase from 26% in 2005-06 to 47% in 2007-08. The rate of progress among Scheduled Tribes (three and a half fold increase) and Scheduled Castes (two-fold increase) has been faster than for the general population and this has led to the reduction in the gap across social groups<sup>2</sup>. Yet, despite these improvements, only 29% of Scheduled Tribe mothers and 49% of Schedule Caste mothers are giving birth at health facilities.

## Social Exclusion

**7. India has high levels of inequality—particular castes, tribes, and religious groups do less well than others because of entrenched discriminatory practices and despite laws against such behaviour. We met groups of Dalits, including children, who were beginning to challenge social norms about their role in society. We were impressed by their brave and determined outlook. However it will be virtually impossible for most of these children to change their social status while other parts of Indian society, and social institutions, tacitly accept this level of exclusion and discrimination. We recommend that DFID place greater explicit emphasis on tackling inequalities throughout DFID's programmes. (Paragraph 69)**

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<sup>2</sup> Scheduled Castes and Scheduled Tribes are Indian population groupings recognised by the Constitution of India. Members of the Scheduled Castes are often referred to as Dalits.



**8. DFID's focus on girls' education, in particular at secondary level, is important for tackling gender discrimination and will help in relation to DFID's objectives in maternal and child health. We strongly support this new initiative. (Paragraph 70)**

### Agreed

24. The Government is fully committed to working with all partners to realise the Government of India's commitment to combat inequality in India. UK development programmes are designed to benefit the poorest and most excluded.
25. The UK will continue to work with the Government of India and other partners to make services, such as health and education, accessible to all, without discrimination, and of sufficient quality to make people want to use them.
26. The UK supports programmes with civil society organisations in India which directly target the poorest and most vulnerable people, particularly Dalits, Tribal people, Muslims, women and disabled people, to organise, understand their rights, and get access to services and opportunities that they have often been denied.
27. The Government of India has asked the UK to support their flagship secondary education initiative. We will use this opportunity to engage on critical areas for girls' education, ranging from ensuring adequate sanitary provision through to improved data management and learning assessment systems. We are also looking at ways to help get more Dalit girls into secondary school and ensure they can afford to stay there. We welcome the IDC's strong support for this.
28. Since the IDC visited India, the Government of India has approved DFID grants to 56 more civil society organisations to work with the poorest and most excluded people in the poorest states. These grants are under DFID's Poorest Area Civil Society programme, which focuses explicitly on tackling social exclusion, discrimination and inequality.

### Working with the private sector

**9. We are still concerned that DFID does not have the right private sector expertise in-house and recommend it work with appropriate bodies which do have such expertise. (Paragraph 80)**

**10. DFID proposes to spend £140 million—or half of its budget—by 2015 through the private sector in India. While we understand that DFID's funding is intended to demonstrate that it can be profitable to invest in the poorest states, DFID has not provided us with sufficient detail on which sectors are most appropriate in terms of returns and for maximising the poverty impact. The decision about how much to spend through the private sector should be dependent on achieving greater clarity on what the most effective investments are likely to be. (Paragraph 81)**

**11. In addition we do not consider it appropriate, in general, for aid to private companies to be provided as a grant or a concessional loan because to do so would skew the market and undermine free competition. It also runs the risk of “picking winners” which often fails and can simply shore-up unviable business practices. Instead, funding for private sector development should take the form of repayable loans. (Paragraph 82)**

### **Agreed**

29. Poor people's lives can be transformed by a job or a loan to grow their business. Over the next few years, the Government is keen that UK support should help unlock the potential of the private sector to deliver jobs, products, infrastructure and basic services in India's poorest states. For example, our support aims to enable 12 million poor women to access microfinance and support 2 million poor, mostly women, to obtain skills training that can increase their income.
30. The Government of India has now endorsed our proposed approach of using part of our bilateral aid to support poverty reduction through pro-poor private investments. We are currently exploring programmes in such sectors as microfinance, low income housing, skills development and basic infrastructure in poor states where the private sector is not active at the moment. Complementary programmes with state governments will build an improved policy environment and investment climate.
31. The Government aims to increase the proportion of the programme spent on pro-poor private investment to about 50% of total spending by 2015. This is an aim not a target, and allocations will be driven by the results we can achieve. The 50% figure signals the Government's wish to develop a substantial and credible contribution to promoting jobs and enterprise in the poorest states – an agenda which has been unduly neglected in the UK's partnership with India to date. It also reflects the Government's view that, while it is right to sustain until 2015 the level of our state partnerships and civil society work (which comprise nearly half of our current spending), the Government of India's own rising resources mean that we can withdraw our support from a number of Government of India national schemes as our commitments to them come to a close.
32. All our programmes will be rigorously assessed on the basis of the impact they can have on poor people, either in terms of job creation or income, lower living costs and/or better quality of basic services. These will be tracked through the course of the project. We will assess what works over time with credible partners, investing more through those who perform better, while withdrawing from those that do not.
33. We agree that support to the private sector should not skew local markets or act as a disincentive to innovation. We will seek to provide support only where there is a clear gap in private sector activity. We will not provide investments as grants to the private sector. Our funds will be channelled through Indian government-sponsored intermediaries, who will then convert them into repayable capital investments e.g.

shareholding investments or loans which can be reinvested in further pro-poor schemes.

34. DFID set up a Private Sector Department (PSD) in January 2011 to help raise the level, extent and effectiveness of DFID's engagement with the private sector. An experienced 25 person team based in London, PSD's focus is to help increase awareness and capability across DFID's country offices and other departments on how to work with the private sector to build prosperity and get rid of extreme poverty.
35. In India, DFID has recruited new well qualified staff for its dedicated private sector team. Members of the 12 person team bring with them a wide range of skills and experience from working in the private sector or on private sector-led development work. The team is recruiting additional specialists over the coming months, and will work with partners who have detailed knowledge and expertise in this area.

## Ways of working in India

**12. The value of DFID's work in India is enhanced when it can demonstrate new ways of doing things which work and these are scaled-up by the national Government. DFID has a proven track record in this and the Government of India is appreciative of DFID's efforts. This way of working should form the basis of future programmes in India since it does not require large amounts of funding. (Paragraph 86)**

### Agreed

36. The Government agrees that our resources are small in relation to India's needs. We can best add value by developing ideas and piloting approaches which the Government of India can take forward and scale up with its much larger resources.
37. DFID's aid instruments will evolve to keep pace with India's changing circumstances, and to ensure UK funds continue to have as catalytic a role as possible. DFID will deploy a mixture of traditional funding instruments that have proved versatile and effective in the past (project funding reimbursing agreed activities, sector support linked to performance targets, contracts for technical co-operation services) and newer forms of financing that put purchasing power directly in the hands of citizens (poverty-targeted vouchers and incentive schemes), incentivising private sector partners and contractors by providing them with funding based on results, and bringing in funding from private philanthropic sources.
38. Across the programme, we will seek to maximise the returns possible from structured policy dialogue and technical co-operation, since these have proved among our most effective instruments in the past. We will use impact evaluations in a range of areas to further enhance our learning.

## Working with civil society

**13. DFID's work through civil society organisations is extremely valuable, especially in tackling social inequalities. As we have recommended that DFID increase its emphasis on social exclusion, DFID will need to increase its funding to dynamic Indian civil society organisations with a proven and measureable record in challenging social exclusion. (Paragraph 90)**

### Agreed

39. The Government welcomes the IDC recommendation that DFID should do more with civil society in India. DFID will substantially increase its support to civil society organisations that target the poorest people to organise, understand their rights, and get access to services and opportunities that they have often been denied.
40. DFID has earmarked more funds to expand the range of organisations that it works with in India, with a particular focus on trying to connect the best thinkers and innovators - such as Think Tanks and IT entrepreneurs - with organisations on the ground, led by and working with Dalits, Tribal communities, Muslims, and women. One particular area of focus is using cheap IT to help the poorest people access services, understand their rights, and hold government to account.
41. As mentioned above, since the IDC visited India, the Government of India has approved DFID grants to 56 more civil society organisations to work with the poorest and most excluded people in the poorest states.
42. Competition for DFID support through the Poorest Areas Civil Society programme support is intense - only the most credible organisations get it. These grants mean more UK taxpayers' money will directly reach "dynamic Indian civil society organisations with a proven and measureable record in challenging social exclusion" as the IDC report recommends. The IDC report notes that members were impressed with the NGO Jan Sahas Development Society in Madhya Pradesh - which is funded by DFID through the Poorest Areas Civil Society Programme.

## Climate change

**14. We are delighted that the Government intends to approach climate change with India in a coherent, cross-Government manner. However we would like greater clarity about the Climate Change and Energy Unit—in particular the Government's objectives and work plan for it, and DFID's strategy for ensuring that developmental concerns, including helping India to develop new low carbon paths so that it can provide affordable energy for the poorest, are an integral part of this. (Paragraph 97)**

### Agreed

43. The Government is pleased that the Committee approves so strongly of the approach we are taking on climate change in India. We are wholly committed to a

coherent and integrated approach to tackling this global threat, and to putting development at the heart of those efforts. We very much share the Committee's view that access to clean and affordable energy is a key development issue.

44. India is central to the climate change challenge in three ways:
  - a. the vulnerability of many of its people – particularly the poorest – to the impacts of climate change;
  - b. the huge scope to reduce emissions and the carbon intensity of the economy; and
  - c. India's key position in the climate negotiations.
  
45. The Climate Change and Energy Unit (CCEU) works on the full range of British government interests in climate change and energy issues in India, covering all of these areas. It also provides some expert support to other UK missions and offices in the region.
  
46. Climate change is a critical threat to the Government's development goals. Avoiding dangerous temperature increases, and adapting to climate impacts already in the system are key if development gains are not to be rolled back. Development has therefore been central to the Unit's work since its establishment. Its location within DFID India and its management arrangements (the Head of DFID-India line manages the Unit's head) ensure that there is constant interchange between the UK's work on climate and development. The Government is convinced that only by putting development at the heart of our work on climate change and energy in India can we be effective in delivering on those key issues. The cross-government nature of the unit's work has enabled it to deliver on the full range of its goals more effectively than would have been possible through a single-department.
  
47. The Government's core objectives for the Unit cover four main areas:
  - a. Collaboration with India on the international climate talks, building common ground and ensuring that the need for development is integrated with the imperative of global action to avoid dangerous climate change.
  - b. Work with government, business and civil society partners to support India in its efforts to accelerate a high growth, low carbon economy.
  - c. Action to ensure that the poorest in Indian society can adapt to climate change and benefit from a low carbon transition.
  - d. Promoting dialogue with India on international energy issues.
  
48. The Unit's work delivers on these areas through government-to-government diplomacy, business engagement, collaboration with state and city authorities, public diplomacy, civil society engagement and on-the-ground work to pilot and

demonstrate effective ways of deploying climate-sensitive approaches to development challenges. Ministers have indicated to the Indian Government their interest in scaling up collaboration with India on specific programmes for climate change mitigation and adaptation – so the Unit will in future be devoting a greater proportion of its time to the design and implementation of programme activities.

49. The Government shares the Committee's view that pursuing sustainable and affordable energy for India's poor people is a key development issue. DFID has been involved for some time in technical assistance to the power sector, improving efficiency (and hence carbon emissions) and ensuring that more power is available for use, so contributing to growth. We are keen to complement this with additional work on clean and renewable energy. We are for example planning to provide funding for expanding access to efficient cookstoves, which provide energy, climate and health benefits. We are also exploring with the Government of India the scope for a more ambitious pilot project on off-grid renewable energy.

## Trade and Investment

**15. We support the expansion of trade between India and the UK and consider that increased trade has the potential to assist development in India. For example, India has played an important role in the production of low cost anti-retrovirals which have greatly assisted those suffering from HIV/AIDs in both India and Africa. The proposed EU-India Free-Trade Agreement should ensure that India can continue to supply essential and affordable medicines in this way without penalty, recognising that over time Africa is likely to develop its own capacity to do so. DFID must champion this within the Government and the UK Government must lobby for this within the EU. We recommend that the Government set out its position on this issue in its response to our report. (Paragraph 104)**

**16. DFID has a key role to play in ensuring that UK Government policies "beyond aid" are coherent with its poverty reduction objectives. Development will not happen with aid alone. India is growing fast and already attracts large amounts of inward investment. DFID must play a greater role in encouraging UK investment in India to actively support DFID's development objectives, especially in the poorest states. (Paragraph 105)**

## Agreed

50. The UK is committed to ensuring access to low cost, effective medicines in the developing world. We recognise that intellectual property provides the pharmaceutical industry with an important incentive for investment in the costly process of developing innovative medicines. Additional incentives may be needed for products that meet developing country needs. We fully support the 2001 Doha Declaration on Public Health, and the right of countries to use the flexibilities it affirms to order to protect public health.

51. The UK's 'Trade and Investment for Growth' White Paper, published in February states that the Government will seek to ensure that provisions on intellectual property rights in EU free trade agreements (FTAs) do not have negative impacts on the ability of the poorest to access low cost medicines.
52. The Government believes that intellectual property provisions within FTAs should be tailored to the level of development of our trading partner. For developing countries, we take a case by case approach, showing particular flexibility where provisions may impact on public health.
53. As India is a major exporter of generic medicines to poor countries, the UK is also committed to ensuring that the provision on intellectual property rights in the FTA does not have a negative impact on access to low cost medicines. We welcomed the joint declaration by European Commissioner Karel de Gucht and Indian Trade Minister Anand Sharma on 13 December 2010, which stated that nothing in the EU-India FTA would limit India's scope for developing and exporting life-saving medicines, and that nothing would prevent the poorest people from accessing life-saving medicines.
54. Trade issues are an important element of G20 discussions, where we work closely with India. India is the first developing country to offer a duty-free quota-free scheme for *all* LDCs; we will encourage, and offer support to, the Government of India, to help improve the uptake of this scheme and the benefit it brings to LDCs.
55. DFID has strong relationships with other Government Departments. In India, DFID is part of two joint units on climate change (with FCO, DECC and DEFRA) and trade (with FCO and UKTI) and a joint network on education, research and skills. DFID will support UK Government priorities in these areas to ensure they also benefit India's poor.
56. Currently, India's 8 poorest states have over half of India's population but attract only 2.4% of the country's FDI and one fifth of overall investment. DFID will work with other parts of HMG, central and state governments to create the right enabling environment for national and foreign investment in these states and more widely in India.
57. UKTI's key objective is to support UK businesses to expand in overseas markets. UKTI creates awareness in the UK about potential business opportunities in India including DFID priority states and emerging cities across India. It is widely recognised that investment decisions by private companies, while guided by commercial considerations, can have a positive impact on poverty and inequality.

## Education Cooperation

**17. The Government is seeking to promote greater opportunities for cooperation between the UK and India at higher education level. We welcome the Government of India's Foreign Education Providers Bill, currently before its Parliament, which will open up opportunities for UK Universities to invest in India and help meet the growing demand for higher education. (Paragraph 108)**

### Agreed

58. The Government has established the UK Education Coordination Group (including DFID, British Council, FCO, UKTI and others) in India, which ensures a coherent cross-government approach across the education spectrum; from primary to the highest levels of university research.
59. The UK and Indian Governments are cooperating on higher education (and other levels of education) through the UK India Education and Research Initiative (UKIERI) which started in April 2006 with the aim of enhancing educational links between India and the UK. The first phase delivered over 500 partnerships between the UK's and India's schools, further and higher education institutions and research bodies, with corporate partners.
60. The Government welcomes the agreed new phase of UKIERI launched in June 2011. UKIERI 2 has been developed by the Indian and UK Governments together with the UK and India's education and skills sectors and the private sector to help support India to fulfil its ambition to create 40 million university places and train 500 million people over the next 10 years.
61. The Government is also exploring support to a UK Open University initiative to enhance the quality of teacher education through innovative partnerships with Indian teacher education institutions. This is being brokered in close collaboration with UKIERI.
62. The Government welcomes the IDC's endorsement of the Government of India's Foreign Education Providers Bill which will help India meet the growing demand for higher education and provide UK universities with opportunities to contribute.
63. DFID works in partnership with the Government of India, education providers and other organisations to support the development of the higher education system in India through:
  - a. funding the Development Partnerships in Higher Education Programme (DelpHE). This has financed 12 institutional partnerships between Indian and UK Universities since 2006 with a strong gender, environment and livelihoods focus.



- b. providing funding for an average of 110 Indian Commonwealth scholars and fellows (new and ongoing) per annum. Each year up to 65 Indians win these scholarships for Masters, PhD as well as post doctoral studies in areas of medicine, sciences and social sciences.
  - c. funding the collaborative research initiative Consortium for Research on Educational Access, Transitions and Equity (CREATE) 2006-11. Led by Sussex University this linked universities in the UK, Bangladesh, Ghana, India and South Africa. CREATE India's outputs include 5 PhDs and masters and important peer reviewed research.
  - d. supporting the Government of India's strengthening of primary and secondary education systems which will increase the flow, calibre and diversity of students moving into higher education.
64. DFID has also established a research hub for India and the rest of South Asia in Delhi, which works with the FCO/BIS Science and Innovation Network and Research Councils UK. The DFID research hub supports the DFID India programme and helps strengthen the development policy component of the UK's wider research partnership with India. Current work includes a number of issues in this response, such as health, agriculture, climate change and water.

## Policy Coherence for Development

**18. The Coalition Government has recognised the importance of policy coherence for development. It is important that DFID has a strong voice in all cross-Government debates on India and ensures that poverty reduction is a key part of these. We recommend that the Government provide more information on the work of the Partnership Secretariat in its Response to this Report. (Paragraph 110)**

### Agreed

65. The Secretary of State set out DFID's ambition to work more closely with emerging powers on global development issues and poverty reduction in low income countries in a speech at Chatham House in February. He emphasised that the global debate on poverty, once led primarily by OECD donors, is changing. Emerging powers' engagement with LICs is increasing. They are now indispensable players on the big issues, including trade, conflict, climate change and financial stability. New partnerships with these countries are essential in order to meet the MDGs and drive forward global progress on poverty reduction.
66. To ensure that this new partnership approach becomes a reality, DFID has established a small Global Partnerships Secretariat within International Relations Division. The Secretariat is intended to be DFID's central policy lead on emerging economies. It will be responsible for monitoring DFID's engagement with the emerging powers and for measuring results, regularly tracking agreed global policy priorities to assess impact. The Secretariat will manage DFID's interaction with the National Security Council Sub-Committee on the Emerging Powers. It will work

closely with embassies and DFID teams in India, China, South Africa, Brazil, Russia, Mexico, Turkey, Indonesia and the Gulf States and it will support DFID's senior management on emerging power issues.

## The post-2015 relationship

**19. We recommend that the newly created Independent Consortium on Aid Impact (ICAI) undertake a study of the opportunity cost of DFID continuing to provide £280 million per year to India, or to other countries with a lower GDP per capita or slower progress towards the Millennium Development Goals, as a means of demonstrating to us and the British public whether investing in India represents value for money. (Paragraph 115)**

**20. Notwithstanding, in a context where DFID is closing its aid programmes in some poorer countries we think that after 2015 DFID's aid relationship with India should change fundamentally. Assuming the progress we expect to see, DFID should continue to provide technical assistance where needed and requested, but the funding mechanism should change. This will need to be planned in advance. DFID must now begin to consider how the post 2015 relationship will look and report on its plans in the next 12 months. We will continue to monitor progress in India and intend to ensure that any decisions are reviewed before the end of this Parliament. (Paragraph 116)**

### Partially agreed

67. The Coalition Agreement set out how the government's pledge to increase aid spending would be matched by a commitment to greater transparency and increased scrutiny. To ensure this, the Independent Commission on Aid Impact (ICAI) has been established to evaluate aid independently.

68. The Government welcomes the IDC's recommendation that the ICAI undertake a study of the opportunity cost of providing aid to India. However, the decision on this recommendation falls to ICAI and the IDC, since ICAI is an independent body whose workplan is not set by the Government. DFID's recent Bilateral Aid Review ranked India very highly in its assessment of countries according to their levels of need and their capacity to use aid effectively.

69. India has grown fast in recent years. But India's poorest states, each of them larger than most African countries, still face huge development challenges. In 2015 the scale of the poverty challenge will still be very large.

70. The Government agrees that the UK's development relationship with India should change to reflect India's economic growth and rising resources. The plan set out for the next four years is for a substantial change in the relationship during that period, with a tighter focus on the poorest states and a steadily increasing proportion of support provided as pro-poor private sector investment.

71. The Government agrees that beyond 2015, the relationship will require further change, and that we should be thinking about this now. Our aim over time is to move from an aid-based relationship to one based on shared contributions to global development goals, such as climate change.
72. The Government believes that it is not possible to predict so far in advance exactly what type of relationship will be appropriate and that it would therefore be premature to commit to reporting to the Committee within 12 months on our post 2015 plans. The Government welcomes the Committee's interest in continuing to monitor progress in India and reviewing post-2015 plans before the end of this Parliament.

### **Working with multilaterals and other donors**

**21. As the largest bilateral donor DFID has an important role to play in influencing other donors in terms of best practice and value for money. DFID also plays an important role in fostering dialogue with other donors and works cooperatively with multilateral organisations such as the World Bank. As India graduates from International Development Association eligibility, DFID and the World Bank must ensure the transition takes place without having a detrimental effect on poverty levels and on inequality. Given India's apparent desire to reduce its reliance on bilateral donors, we expect the role of multilaterals, especially the World Bank, to increase. We recommend that over the next year, DFID undertake a careful examination of the Bank's potential to continue to drive forward poverty reduction in India. (Paragraph 120)**

#### **Agreed**

73. We will work closely with the World Bank to maximise their poverty impact as they transition to a post-IDA 'Country Partnership Strategy'. Options for how best DFID can engage will be discussed at our forthcoming discussion of the WB-DFID partnership in India.
74. The Government agrees that multilateral organisations are key channels of both development policy and expertise, and we intend to work ever more closely with them on a wide range of issues, including on the implications of graduation from India.
75. The Government works through multilaterals where they can achieve more than the UK can bilaterally, either because of their access, services or scale. DFID India works with the World Bank, Asian Development Bank and UNICEF to increase their focus on the poorest states and increase the speed of their loans.

## Working with India as a donor

22. India is increasing its role as a donor in many of the countries where DFID works. We recommend that DFID establish a development forum for joint work with the Government of India and its focus state Governments to share best practice and provide important learning opportunities for both parties. This Forum for Development Dialogue could see the UK providing technical assistance with India's aid programme. We recommend the Forum be established before 2015. (Paragraph 123)

23. The Government wants to forge an enhanced partnership with India. This will include development as well as trade, climate change, security, diplomacy and education cooperation. We support the UK Government in this objective which recognises India as an emerging power and key partner for the Government. However there remain large pockets of poverty, and the challenge of achieving the Millennium Development Goals in India is immense. For this reason we support the UK's continued development assistance to India for the period up to 2015. However after this the development relationship must change fundamentally to one based on mutual learning and technical assistance where requested. (Paragraph 124)

### Agreed

76. The Government welcomes the IDC's recommendation to establish a Forum for Development Dialogue with India to share lessons and to explore opportunities for joint work. The UK Government has had a number of discussions with the Government of India about development cooperation in third countries and on global development issues. We look forward to continuing this dialogue in the future, and will explore with the Government of India the scope for creating a more formal structure for these discussions as proposed by the IDC.

77. We agree with the IDC's view that development is an integral part of the wider partnership between the UK and India. We note the Committee's recommendation that mutual learning and technical assistance should be the foundation for the post-2015 development partnership. While we believe it is premature to decide now exactly what type of relationship will be appropriate after 2015, we agree that mutual learning and continued sharing of UK and Indian development expertise will remain important.