

Bilateral Aid Partnership of Inclusive Growth for the 12th Five Year Plan Perspectives

Mangesh Tyagi and Yogesh Mahor

*Poverty Monitoring and Policy Support Unit, Madhya Pradesh State Planning Commission,
Bhopal, Madhya Pradesh, India*

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ABSTRACT External assistance has played a significant role in the development process in India. The policy paper on external assistance conceptualized and prepared by the Poverty Monitoring and Policy Support Unit team is an attempt to support policy holders on focus efforts for external aid agencies particularly DFID and to highlight some of the major issues and concerns regarding DFID support in the form of bilateral partnership in India. Looking at the key areas of DFID support, this paper is divided into few sections and sub-section. After the background aspect, Section 1.1 summarizes the external contribution in the education sector. Section 1.2 is an overview on health support scenario including National Aids Control Programme and development co-operation. Section 1.3 provides a brief on support for urban poverty reduction efforts with the DFID support while Section 1.4 gives a summary of private sector assistance; Section 1.5 highlights the partnership towards climate change, section 1.6 gives an overview of the overall efficacy support in making good governance and in section 1.7 Finally, article concluded with few issues and strategic suggestions to improve overall partnership scenario with external aid agencies.

INTRODUCTION

External aid has contributed significantly to the development of India especially in initial years of India independence. Besides multilateral aid, the Government of United Kingdom (UK) has been providing bilateral assistance to India since 1958. At present UK is the largest external bilateral development partner in terms of providing grants. The United Kingdom assistance is channeled through Department for International Development (DFID), Government of UK. The bilateral assistance from UK is provided in the form of grants by way of FC (routed through the GOI budget) and TC, which includes direct payment by DFID for consultancy services, experts training etc. DFID also provides assistance through various multilateral

agencies through Trust Funds with World Bank, ADB, UNICEF, UNDP, etc. in social sectors.

Position Paper developed by DEA GOI on 'External assistance received by India' highlighted that, there has also been a shift in the sectoral focus bilateral Aid Partnership. While the emphasis during the early years of planning was on areas like agriculture, food aid and industrial projects, the focus has now shifted, besides infrastructure, towards the social sectors like health and education. This shift is largely in consonance with the commitments to fulfill the Millennium Development goals. Above policy paper also explained the issue of Tied Aid i.e. the disadvantages to the recipient country of credit tying by donor countries are well recognized by India. Tied aid implies that loans from a particular country have to be utilized for imports from that country alone. Though in the initial years of planning, aid to India was mostly tied, India's dependence on aid has reduced with time, and it has affirmed its stand on not accepting tied aid.

DFID has been contributing a great deal in India's economic development. Today under the current aid cycle ending March 2012, quantum of aid provided is to the tune of pound 825 million. In the next cycle, that is, 2012-2015 this is going to be increased to pound 1.1 billion, almost an increase of about 33%. It shows that our partnership is going to deepen in near future. Partnership with India involving financial

Address for correspondence:

Yogesh Mahor
Specialist, Social Development
Poverty Monitoring and Policy Support Unit
MP State Planning Commission, Govt. of Madhya Pradesh
Room No. 02, C Wing, First Floor, Vindhyachal Bhawan
Bhopal, Madhya Pradesh, India
Contact: 91-9425019571
E-mail: yogeshmahor@yahoo.com
Mangesh Tyagi I.F.S.,
Advisor, Madhya Pradesh State Planning Commission,
Govt. of MP, India, C Wing, First Floor,
Vindhyachal Bhawan
Bhopal, Madhya Pradesh, India
Contact: 9425193330
E-mail: mangeshyagi123@yahoo.co.in

transfers would help to meet developmental challenges of India at this critical phase of economic growth. DFID support in the form of bilateral partnership consists mainly in the thrust areas like Social sector support to Millennium Development Goals (MDGs), thematic Partnership with selected state and Private sector financing of entities.

The priority areas of UK assistance are in line with the priorities of GOI which are mainly in the social sectors viz. health and family welfare, rural development, environment, slum development, education and programmes relating to achieving the Millennium Development Goals (MDGs). Let us analyze the support key sector wise.

EDUCATION: SPECIAL CASE FOR SUPPORT TO SECONDARY EDUCATION

In terms of programme support to MDGs, support for SSA is a prominent support in present country cycle. In the next country cycle it is being extended to RSMA. In addition, an innovative support for scholarships to girls is also being thought of in such a way so that it improves outcome of existing schemes. Therefore this support is being structured in an innovative way. Support component shall consist of two parts. Part one shall extend financial support for the actual execution of programme whereas part two consists of technical support.

Successful implementation of SSA during 10th and 11th plan has led to significant increase in access to primary education. As enrolment numbers transit to secondary education, a huge expansion in secondary education system shall be required in 12th plan. It is estimated that Rs. 2.12 lakh crores shall be required to finance this demand along with primary education. As quality secondary education is a gateway to technical and higher education, providing these resources is vital. Keeping this in view external support of pound 85 million is a welcome and very appropriate opportunity. Though support size is small, but it can be used innovatively to get us the best value from our own money.

HEALTH: ACHIEVING GLOBAL HEALTH PUBLIC GOODS

Size of support to health sector in present country cycle is approximately pounds 85 mil-

lion. Of this 75 million is the support for programme execution while 9.5 million is the technical support. In the next country cycle DFID has decided to limit its central engagement support to technical support only. Instead it has shifted its support directly to focus states and very rightly so these states will be able to garner additional resources. These states are badly in dire need of these resources in order to improve their weak health related indicators.

Technical component can be used to build technical capabilities by way of supporting technical management support unit. Technical component also help to provide flexi funds which focus states can leverage for innovation. Under such an arrangement one could argue that what role shall be played by GOI in the support. GOI could still play a meaningful role by being associated with annual assessment of projects being undertaken by DFID with states.

Thus it may be quite apt to say that while this support is significant from the point of view of programme execution, at the same time it is equally important to carry out and upscale innovative initiatives. This help is even all more significant looking to the relatively slow progress being achieved by the country in attainment of IMR, MMR, and TFR etc. Given the fact that most of north and central Indian states are behind the MDG schedule of 2015, DFID's approach of concentrating on focus states may quite prove to be timely and handy.

Progress made by India towards achieving global public health goods has been quite outstanding. Country has been able to eradicate polio from the country with no recurrence of cases. In order to build on this progress further, it is important that this support in partnership with DFID is continued in next cycle too since present cycle is ending in 2012.

Review of present cycle shows that states and central unit have not been able to make use of all the resources provisioned in present programme cycle for various reasons. While dotted line may not have a provision for use beyond project period, unspent resources in programme execution should be allowed to augment resources in next cycle looking to the dire need of funds in the health sector. India is still far behind the desired goal of spending 3% of its GDP on public health services. So far as use of unspent resources in technical component is concerned, it may be best utilized by commissioning studies

of various important programmes in health sector. Evidence so gathered at the end of 11th plan can feed as policy inputs into the formulation of 12th plan.

National AIDS Control Programme

In the current country cycle yet another area of support by DFID has been the support for national AIDS control programme. To a significant extent this has been a donor funded programme as almost 95% of resources in the programme have come from external assistance. Most of these resources have been used for prevention of epidemic. It has been one of the few programmes that have been implemented with successful outcomes. Everyone can recall the time when forecast of widespread epidemic were being made; however, as per latest estimate, only 3.1% of the population is said to be affected.

It is nevertheless important that continuous support for this programme is extended for two reasons. Firstly, that many of the ongoing programmes such as procurement of supply chain, roll out of oral therapy etc will need to be sustained in order to prevent further spread of possible epidemic. Secondly, it is all the more important that blood plasma fractionation facilities are also established to provide effective treatment. It may be noteworthy here that all identified persons in the current cycle may need second line of treatment which is many times costlier than the first line. This may necessitate a quantum jump in financing of the programme.

In case of worst scenario of DFID exiting the programme, it may be prudent to have transition arrangements with GOI by DFID. During these transition arrangements, technical support component may be used to identify and plug the capacity gaps so that this leads to better utilization of existing resources in ongoing programmes. GOI should at the same time look to garner resources from multilateral institutions. So far as use of these resources (external or domestic) is concerned, the fact that this support caters to high risk groups such as sex workers, it should be borne in mind that strategy of approaching these groups should be through the intermediation of NGOs/CSOs.

Technical assistance in most of the programmes is being used to hire consultancies. While this is desirable it can also be fruitfully utilized in developing robust mechanism by strength-

ening of financial appraisal systems such as internal audit. This will facilitate to get the better value of money being spent in other regular programmes. Taking Sarva Shiksha Abhiyan (SSA) as an example, it may be pointed out that we as yet do not have a system of national assessment so far as the assessment of quality of learning is concerned. Most often we rely on surveys done by civil society. Will it not be appropriate to develop a robust system of national assessment using the technical support to know which areas are working and which are not. This will not only help us in feeding into the current programme of SSA but also give us deep insights into launching of Rashtriya Madhyamik Shiksha Abhiyan (RMSA) in the 12th five year plan.

SUPPORT FOR URBAN POVERTY REDUCTION PROGRAMMES

A significant part of this support by DFID is dovetailed to support programmes involving reduction in urban poverty in urban sector. Although this support could not materialize adequately during the current cycle, but now the system has been put in place to identify action areas of support. Prima facie skill development through national support institutions may certainly be one important area for consideration. It is through the development of skill sets of have not that they can move up the social and economic ladder thereby breaking the vicious cycle of poverty.

Another area that directly affects the poor in urban areas is the lack of affordable housing. 12th five year plan proposes a major initiative for the poor in the form of Rajiv Awas Yojana. If we use external support innovatively to evolve and design capacities to leverage money for this scheme, a great purpose can be achieved towards an important objective of achieving affordable housing for the urban poor. As this scheme provides a great opportunity to develop housing facilities in PPP mode, simultaneously strengthening PPP frameworks using TC of external aid may be one of the noble objectives of this support in 12th plan. Urban poor also suffers from lack of adequate, organized and sustainable employment/ livelihood opportunities. External support should identify and document these opportunities as also relate urban poor to these so as to move them out of poverty cycle.

Private Sector Assistance

The idea of bringing in support for private sector is with a view to leveraging private capital for supplementing public resources. This is one of the new outstanding features of the support. This support has also been innovatively designed in the form of a returnable capital, that too, in the form of equity. The idea of providing equity to these enterprises is innovative in the sense that it will help the entrepreneur leverage resources from the market, thereby converting him/ her into a viable commercial venture. Government sponsored institution shall hand hold and do the due diligence initially.

This will help generate revenue streams to make capital revolving and at the same time develop entrepreneurship amongst entities. To begin with these entities shall be listed by the intermediation of government sponsored institutions such as Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD), NSDC and IDFC etc. later on entities may be mapped and approached independently.

CLIMATE CHANGE

Support for climate change under the partnership is additional without being counted towards ODA. Current exposure in the framework is woefully inadequate amounting to just 12 million pounds for a project in pipeline. Looking to gravity and enormity this needs to increase substantially. Although the contours of the project in pipeline are not known, it is presumed that activities related to data collection, compilation and analysis would be taken in the proposed pilot. In addition impact assessment studies along with mitigation strategies will also form the part of TOR for current pilot. Project spread is in six states. Thus this project is in the right direction in current framework. Nevertheless there is an urgent need to take up more pilots in different agro climatic zones of the country and use learning's from these pilots to frame strategy mitigation in our planning and implementation cycle.

Governance

During the current cycle support for governance component was small. Institutional mechanisms have been put in place at state level. This

has added to the capacity of states especially with regard to monitoring and evaluation mechanisms. It is highly desirable that these efforts are not only sustained but also up scaled. Putting in place monitoring and policy units at national level and in focus states would strengthen capacities for governance improvement.

CONCLUDING REMARKS

Our previous learnings with different external aid agencies bring in focus some lessons in ensuring efficient utilisation of external assistance taking into account the national policies and priorities.

External assistance for development will largely depend on the efficient utilisation of funds as well as on its capacity to absorb increased donor funding. If someone analyses the utilization of external assistance, certain disturbing trends may be observed. Apart from the time lags in the sanction, start up, and disbursement of donor funds, the implementation is reported to be delayed. This has resulted in both time and cost overruns. Some attempts have been made to overcome these problems. One such significant measure relates to improving the flow of funds mechanism through the formation of societies at the state and district levels.

Another difficulty in the donor-supported projects is adherence to the prescribed time schedule. Normally donor funds have to be spent within time limits prescribed or agreed upon and according to well-defined agreed budget lines. Mostly there is zero flexibility available with donors for rescheduling budget lines etc. The donors also have a genuine problem in granting extensions. These arise from the fact that as long as the project is not cleared and ongoing, donors have to incur substantial costs in the form of their staff and other related resources. Thus donors are uncomfortable in granting extensions. All together, Governments should realize that external funds are not forever, once these funds are over then appropriate strategy and sources must be well defined. Clearly for such policy level decisions, the nation requires a strong and creative government.

Management at government side should also become skilled at work with donors in partnership, and elements of suspicions by donors and government alike should stop. Also the systematic management training should be a major concern. It should be broad based.

External assistance has played a significant role in the development process in India. All these areas discussed above are exciting areas of India's economic development landscape in which DFID support can develop into a trust-worthy and meaningful partnership.

NOTE

Inputs have largely been derived from various publications including Annual Economic Surveys, Annual Documents on External Debt, Manual on External Assistance by CAA&A and Five Year state and national Plan documents.

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