



India: Development aid from the UK & other donors

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Section Economic Policy & Statistics section

As one of the rapidly expanding emerging economies, alongside Brazil, China and Russia in the 'BRICs', UK aid to India has come under increasing scrutiny. The UK's aid programme in China comes to an end in 2011, and it has been suggested that aid to India also be reduced.

Total official aid to India from all donors was \$2.1 billion in 2008, half as much again as that provided to China (\$1.5 billion). The UK provided 29% of all aid to India.

India is one of 22 DFID priority countries. DFID bilateral expenditure on India in 2009/10 was £295 million, down slightly on the previous year. A similar amount (£280 million) had been allocated to India for 2010/11, but the India programme is currently under review, along with all bilateral and multilateral aid. In 2008/09, including other government departments, a total of £402 million in aid was provided to India: £297 million from DFID (74%) and £105 million (26%) from other departments. Over the five years to 2008/09, the UK provided India with a total of £1.5 billion in aid.

India had the world's 11th largest economy in 2009, and it is expected to grow nearly as fast as China in 2010 and 2011. However, Gross National Income per capita was \$1,070 in 2008. This places India 163rd in the world, compared with China in 124th place on \$3,620, more than three times the level in India.

A third of the world's poor live in India – 456 million (42% of the country's population). India has more people in poverty than all of sub-Saharan Africa, and more than double China's the 208 million in poverty. Almost a fifth of the world's poor live in four Indian states alone.

For a timeline of major events in India to June 2010, see [SN/IA/5131](#). In-depth [political](#) and [economic](#) background can be found in two May 2007 Library research papers ([RP07/41](#) & [RP07/42](#)). See also DFID's [India page](#) and the [EU](#), [UN](#), [World Bank \(newsfeed\)](#) and [Asian Development Bank](#) equivalents, and the Library note: Aid to China ([SN/EP/5800](#)).

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1 Aid to India from all donors

Total Official Development Assistance (ODA), an internationally comparable measure of aid, from all [Development Assistance Committee](#) donors to India amounted to \$2.1 billion in 2008.¹ This was half as much again as the \$1.4 billion provided to China in that year.

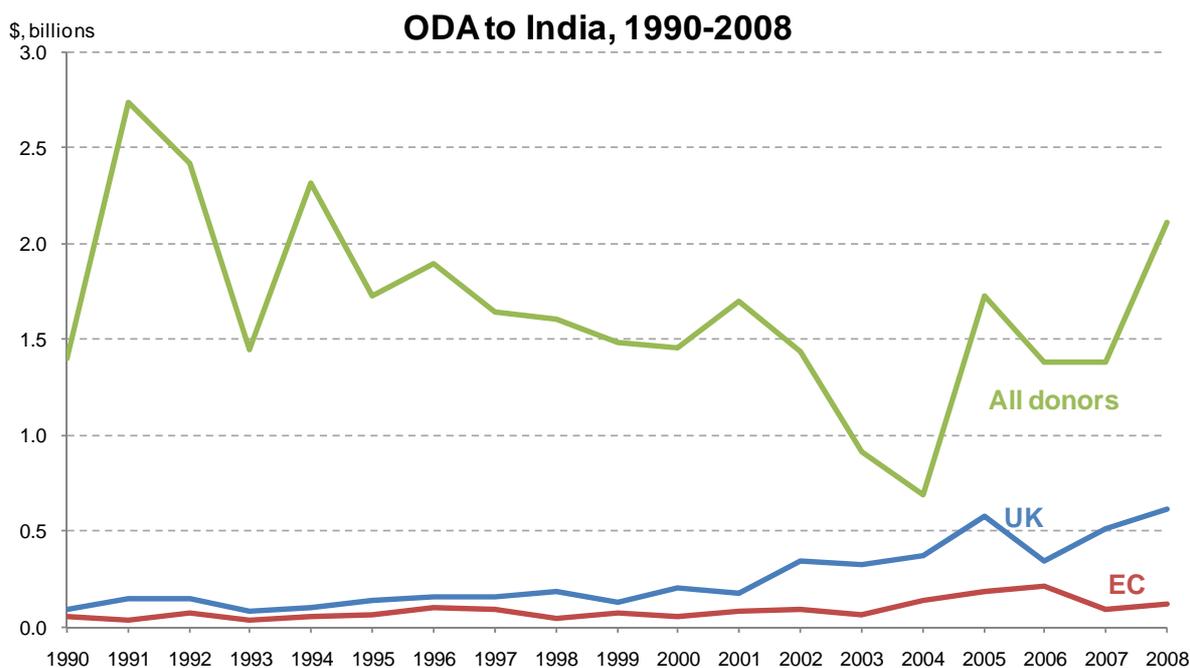
The UK provided 29% of this (\$613 million), and the European Commission a further 6% (\$122 million). The main 15 EU donors (the pre-2004 accession Member States) and the European Commission (EC) together provided a total of \$951 million: 45% of total ODA from all sources.

Multilateral sources, such as the World Bank, accounted for \$556 million, 26% of the total. The UK provided almost 65% of all aid from the EU (Member States and the Commission) to India in 2008, up from less than 15% in 1990.

The chart below shows how aid flows to India have evolved since 1990 (in cash terms). Full details for the UK, the EC and EU and all donors are in the table overleaf.

In constant (2008) dollar terms, the pattern is similar for UK aid, and while the pattern for all donor aid is similar the figures are notably higher prior to around 2003. The constant terms aid data and a similar chart are annexed to the end of this report.

¹ OECD, [Development Assistance Committee database](#)



In this period aid to India peaked at \$2.7 billion in 1991. Aid then generally declined to stand at \$693 million in 2004, but has risen again since then, rising 52% between 2007 and 2008.

Aid from the UK increased gradually throughout the 1990s and early 2000s to reach \$579 million in 2005. It then fell to \$349 million in 2006, before rising in 2007 and 2008 to reach a new high of \$613 million. The UK's share on all aid to India has grown from around 6% in the early 1990s to nearly 30% in 2008.

Aid: ODA to India (\$ millions)

	UK	EC	EU-DAC 15	EU DAC15 & EC total	All donors	UK share of all donor total
1990	97.1	58.4	607.7	666.1	1,398.9	6.9%
1991	148.6	37.5	748.1	785.6	2,736.2	5.4%
1992	150.3	77.7	674.7	752.3	2,422.9	6.2%
1993	79.2	33.6	403.8	437.3	1,447.3	5.5%
1994	100.4	56.8	403.1	459.9	2,316.8	4.3%
1995	142.2	65.4	472.3	537.7	1,729.0	8.2%
1996	154.3	104.7	360.1	464.8	1,892.3	8.2%
1997	154.0	92.8	337.3	430.1	1,640.4	9.4%
1998	186.6	50.1	350.4	400.5	1,603.2	11.6%
1999	131.7	77.9	151.2	229.1	1,483.4	8.9%
2000	204.2	59.7	223.1	282.8	1,457.2	14.0%
2001	173.9	83.8	333.6	417.4	1,704.3	10.2%
2002	343.7	97.3	239.1	336.4	1,437.2	23.9%
2003	329.9	61.2	262.3	323.6	910.4	36.2%
2004	370.2	140.4	-42.7 (a)	97.7	693.3	53.4%
2005	579.2	187.8	630.5	818.3	1,724.7	33.6%
2006	349.3	209.7	460.7	670.5	1,383.0	25.3%
2007	510.5	89.6	647.2	736.8	1,384.0	36.9%
2008	613.1	122.3	828.4	950.7	2,107.7	29.1%

Note: (a) ODA outflow in 2004

Source: OECD, DAC database (accessed Mar 2010)

2 UK's aid relationship with India

2.1 How much aid goes to India?

India is one of DFID's 22 priority countries. Since 1998, India has received more UK overseas aid than any other country.²

The table below breaks overall UK bilateral aid to India in the five years to 2008/09 into various forms.³

India: UK public expenditure on development, 2004/05-2008/09

£s, thousands & % changes

	2004/05	2005/06	2006/07	2007/08	2008/09	% change (2004/05- 2008/09)
Poverty reduction budget support: General	0	0	0	0	0	..
Sector-specific	0	14,500	16,000	54,000	54,000	..
Other financial aid	180,738	160,939	138,557	142,892	194,295	8%
Technical cooperation	15,516	14,198	24,085	16,905	17,871	15%
Bilateral aid via multilaterals	49,093	40,850	39,847	53,722	27,673	-44%
Bilateral aid via NGOs	9,546	16,506	13,856	6,874	2,807	-71%
Other bilateral aid	2,315	2,009	114	0	0	..
Humanitarian assistance	442	3,757	1,398	1,013	386	-13%
DFID debt relief	0	0	0	0	0	..
Total DFID Bilateral Programme	257,649	252,759	233,857	275,406	297,032	15%
Aid from other UK departments, etc.	9,861	17,306	59,850	37,345	105,207	967%
Total Bilateral Gross Public Expenditure (GPEX)	267,510	270,065	293,707	312,751	402,239	50%
DFID share of total GPEX	96%	94%	80%	88%	74%	-23%
<i>UK Imputed Multilateral Share</i>	<i>24,353</i>	<i>39,647</i>	<i>86,476</i>	<i>89,414</i>	<i>..</i>	<i>..</i>

Source: DFID, Statistics on International Development 2009, table 14.3

DFID bilateral expenditure in India in 2009/10 was £295 million. This is down slightly on the previous year, but India still the largest recipient of such aid, accounting for 7.5% of the total £4 billion DFID bilateral aid to all countries, and ahead of Ethiopia on £214 million.⁴

DFID had allocated a similar amount (£280 million) to India for 2010/11, but this is under review, along with all bilateral, multilateral and humanitarian aid (see part 5 for more details).⁵

If government departments other than DFID are included, total UK to India was £402 million in 2008/09.⁶ 74% of this was from DFID (£297 million) and 26% from other government departments (£105 million). No departmental breakdown has been published.

Over the five years 2004/05 to 2008/09, the UK provided a total of £1.5 billion in aid to India from all departments: 85% from DFID (£1.3 billion) and 15% from other government departments (£230 million). Aid coming from non-DFID sources increased more than tenfold

² [HL Deb 21 Oct 2009 c81WA](#)

³ See tables from <http://www.dfid.gov.uk/About-DFID/Finance-and-performance/Aid-Statistics/Statistics-on-International-Development-2009/> and <http://www.dfid.gov.uk/Documents/publications/sid%202009/Bilateral-exp-recipient-country-sector-asia.xls>

⁴ DFID, [DFID in 2009-10](#), table 1, p7. Note: DFID statistics provide more detail on UK aid spend than the OECD data for ODA used in the section above, but these are different measures of aid (both in terms of the what is included and time periods, financial rather cf. calendar years).

⁵ HC Deb 19 July 2010 c134-5W

⁶ No 'all departments' figure is currently available for 2009/10.

between 2004/05, when it accounted for just 4%, and 2008/09, when it accounted for 26%. It also almost tripled between 2007/08 and 2008/09.

Financial aid (other than budget support for poverty reduction provided directly to the Indian government) accounted for 65% of the aid programme in 2008/09. Budget support for in specific sectors accounted for a further 18%, while no aid was provided in this form in 2004/05. The remainder is made up of technical cooperation and bilateral aid via NGOs and multilaterals.

UK aid to multilateral institutions is also provided to India. While there is no way to calculate exactly how much, DFID estimates the UK's share of multilateral institutions' aid based on the UK's contributions to each institution, and their proportionate spends on India. In 2007/08, for example, an estimated £89 million was provided to India via multilaterals.

2.2 How does UK aid to India and to China compare?

The table below compares UK bilateral aid to India and China for the last five financial years, with changes over the period, and the latest figures for DFID aid in 2009/10 only.

India & China: UK bilateral aid, 2004/05-2008/09
£s, million & % changes

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2004/05-2008/09		2004/05-2009/10	
							Total	% change over period	Total	% change over period
India										
DFID Bilateral Programme	257.6	252.8	233.9	275.4	297.0	295.1	1,316.7	15%	1,611.8	15%
Other Government Departments	9.9	17.3	59.9	37.3	105.2	..	229.6	967%	..	..
Bilateral Gross Public Expenditure (GPEX)	267.5	270.1	293.7	312.8	402.2	..	1,546.3	50%	..	..
<i>DFID share of GPEX total</i>	<i>96%</i>	<i>94%</i>	<i>80%</i>	<i>88%</i>	<i>74%</i>	<i>..</i>	<i>85%</i>	<i>..</i>	<i>..</i>	<i>..</i>
UK Imputed Multilateral Share	24.4	39.6	86.5	89.4	..	..	..	..	..	..
China										
DFID Bilateral Programme	35.9	34.7	38.6	38.8	40.3	34.6	188.3	12%	222.9	-3%
Other Government Departments	6.6	2.1	21.5	44.9	78.1	..	153.2	1083%	..	..
Bilateral Gross Public Expenditure (GPEX)	42.5	36.9	60.1	83.7	118.4	..	341.5	179%	..	..
<i>DFID share of GPEX total</i>	<i>84%</i>	<i>94%</i>	<i>64%</i>	<i>46%</i>	<i>34%</i>	<i>..</i>	<i>55%</i>	<i>..</i>	<i>..</i>	<i>..</i>
UK Imputed Multilateral Share	16.5	5.5	15.9	7.4	..	..	..	..	..	..

Note: (a) No breakdown available for 2003/04, included in 'Other bilateral aid' category

Source: DFID, Statistics on International Development 2009, table 13.4

DFID, DFID in 2009-10 (International Development Act 2006 response), Jul 2010, tables A3 & A4

Note: There are slight differences in the DFID/non-DFID breakdowns for 2004/05 to 2008/09 in the report, [DFID in 2009-10](#).⁷ These tables use statistics from [Statistics on International Development 2009](#) which gives breakdowns that sum to 100%.

DFID's bilateral India programme in 2009/10 was more than eight times the size of the China programme, and in 2004/05 was more than seven times its size. Annual DFID aid to India has increased by 15% since 2004/05, compared with a 3% fall for China.

The cumulative bilateral DFID aid total over the six years to 2009/10 is £1.6 billion to India, over seven times the £223 million total to China.

If aid from **other government departments** is taken into account, in 2008/09 the India programme is still more than three times the size of the China programme.

⁷ For example for 2008/09 £297,028,000 compared with £297,032,000 (SIDS 2009), and for 2007/08 £275,402,000 compared with £275,406,000 (SIDS 2009). The GPEX totals are unchanged.

Non-DFID sources provided £230 million in aid to India over the five years 2004/05-2008/09 (about 15% of the total from all sources), compared with £153 million to China (about 45% of the all sources total).

The table also includes the notional share of UK aid provided via multilateral institutions (e.g. UN, World Bank), in each year. The amount to India was more than 12 times that to China in 2007/08.

2.3 Which sectors is UK aid spent in?

The table below breaks DFID bilateral aid to India from 2004/05 to 2008/09 into sectors:

India: DFID bilateral programme, sector breakdown 2004/05-2008/09

£s, thousands, % changes and % shares

	2004/05	2005/06	2006/07	2007/08	2008/09	% change (2004/05- 2008/09)	Share of sector allocable (%) 2008/09
Education	88,366	96,988	54,811	44,075	72,397	-18%	24%
Health	71,224	66,110	73,165	98,955	125,020	76%	42%
Social Services	8,319	9,738	10,033	13,185	14,792	78%	5%
Water Supply & Sanitation	116	537	1,096	1,823	2,231	1824%	1%
Government & Civil Society	24,856	21,524	28,418	46,552	28,284	14%	10%
Economic	53,575	42,186	57,826	51,945	46,955	-12%	16%
Environment Protection	8,457	6,452	3,644	14,080	7,250	-14%	2%
Research	690	2,208	3,121	3,777	-273	-140%	0%
Humanitarian Assistance	180	3,524	1,398	1,013	386	114%	0%
Total sector allocable	255,783	249,267	233,511	275,406	297,042	16%	100%
Non sector allocable	1,866	3,492	346	0	-10	-101%	n/a
Total DFID Bilateral Programme	257,649	252,759	233,857	275,406	297,032	15%	n/a

Source: DFID, Statistics on International Development 2009, online tables

In 2008/09, the largest sector was health, with 42% of the total. This was followed by education (24%), economic aid (16%) and government & civil society (10%).

Water supply & sanitation has grown most over this five year period, from the relatively low level of £116,000 in 2004/05 to £2.2 billion in 2008/09. Humanitarian assistance more than doubled, through again from a relatively low £180,000 to £386,000 (although expenditure in this sector was higher in the intervening years, peaking at £3.5 million in 2005/06). Two sectors accounting for more substantial amounts of aid (health and social services), grew 76% and 78% respectively over the five years.

Aid for education fell 18% compared with 2004/05, while economic, research and environment protection aid all fell over the five year period.

Information on individual DFID-funded projects in India can be found at: projects.dfid.gov.uk.

3 Incomes, poverty & the MDGs

India's economy – the world's 11th largest in 2009 – is expected to grow by nearly 9.4% in 2010, then 8.4% in 2011, [according to the IMF](#). Growth rates above 8% are [also expected to at least 2015](#). These growth rates are on a par with those of China, which is [expected to grow](#) 10.5% this year and 9.6% in 2011.

However, with a Gross National Income per capita of \$1,170 in 2009 (up \$100 from the 2008 figure), India is classified as a 'lower middle income' country by the [World Bank](#), and is towards the lower end of the band for this category (\$996 to \$3,945).⁸ Globally, India ranks 162nd on this measure, alongside Cameroon, and slightly higher than Nigeria.⁹ China ranks 124th with GNI per capita more than three times that of India (\$3,620).

India is home to one third of the world's poor, based on 2005 figures. Some 456 million people in India were living in on less than the international benchmark level of \$1.25 a day,¹⁰ or 42% of the population.¹¹ This is more than double the 208 million in poverty in China in 2005, a poverty rate of 16%.¹² Also, there were a fifth more people living in poverty in India than in sub-Saharan Africa (387 million) in 2005.

The World Bank has forecast that, compared with 2005, numbers in poverty in India will fall by more than a third to 295 million (24% of the country's population) by 2015. This compares with 366 million (38%) in poverty in sub-Saharan Africa (a 5% reduction, 21 million people) and 70 million (5%) in China (a 66% reduction, with 138 million taken out of poverty), with the global total falling to 918 million (a 33% reduction, 453 million taken out of poverty).¹³

Ahead of the September 2010 UN Millennium Development Goals summit (see Library note [SN/EP/3323](#) for details), DFID assessed India's progress, noting:¹⁴

India is critical to global success on the MDGs, and has over one-third of the world's poor. The Indian Government is committed to reducing poverty, but poverty remains stubbornly persistent in some Indian states: Bihar, Madhya Pradesh, Orissa and Uttar Pradesh are home to nearly a fifth of the world's poor.

A new, more complex multi-dimensional poverty indicator, covering a range of forms of deprivation beyond income alone, suggests that there are 421 million people in poverty in eight Indian states – Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, and West Bengal (with a combined population of around 608 million), more than the 410 million in the 26 poorest African countries combined.¹⁵

DFID concluded that India is likely to meet its targets related to primary education, water and HIV. Reduced in income poverty and child mortality indicators were 'off-target', while maternal mortality indicators were "seriously off track" (the maternal mortality MDG is thought to be the most off-track globally).

⁸ World Bank, [Gross national income per capita 2009, Atlas method and PPP](#), July 2010 (sourced from World Bank, [World Development Indicators database](#)).

⁹ On a Purchasing Power Parity (PPP) basis, India ranks 154th on \$3,230, between Mongolia and Guyana, and is less than half that of China, ranked 120th on \$6,710).

¹⁰ World Bank, [Global Monitoring Report 2010: The MDGs after the Crisis](#), table A4.1 ([full table](#)). The global total was 1,371 million in 2005.

¹¹ World Bank, [World Development Indicators database](#), accessed 28 July 2010. Using the slightly higher \$2 a day benchmark, 76% of India's population was living in poverty in 2005.

¹² Using the \$2 a day poverty line, 36% of China's population was in poverty in 2005.

¹³ World Bank, [Global Monitoring Report 2010: The MDGs after the Crisis](#), table A4.1 ([full table](#)).

¹⁴ DFID, [DFID in 2009-10](#), July 2010, p54

¹⁵ "'More poor' in India than Africa", BBC News, 13 July 2010, "[Oxford economists draw up poverty meter](#)", Financial Times, 2 July 2010, and "[More of world's poor live in India than in all sub-Saharan Africa, says study](#)", The Guardian, 14 July 2010. Based on 5.2 billion people in 104 countries, around 1.7 billion were in multidimensional poverty (around 78%). For details, see Oxford Poverty and Human Development Initiative (OPHI)'s [Multidimensional Poverty Index \(MPI\)](#) for the UN Development Programme, OPHI [press release](#). See also Damian Green (Head of Research, Oxfam), [blog entry](#), 27 July 2010 (with chart comparing poverty on MPI and \$1.25 a day measures) and [guest blog entry](#) critique from Martin Ravallion (Director, World Bank research department), 28 July 2010.

DFID's full country MDG assessment is available in its [DFID in 2009-10](#) report (pp54-55), and on DFID's [India web page](#).

4 DFID's India strategy, 2008-2015

In 2008, DFID published its new country plan for India for 2008-15.¹⁶ This stated that the UK would disburse £825 million in aid over the three year period 2008/09 to 2010/11.

This said that, as well as working at the national level supporting Indian Government centrally sponsored schemes, DFID had concentrated on four 'focus states' in India (Andhra Pradesh, West Bengal, Orissa and Madhya Pradesh) and sectorally on "economic and fiscal reform, livelihoods and urban development and water".

It also suggested that there were 'three faces' of India:

- 'Global India' ("a reality for less than 20% of Indians");
- 'Developing India' (with some ties to 'Global India', and so seeing some benefits from the country's success); and
- 'Poor India' ("on the borderline between poverty and prosperity" and "as yet untouched by India's success").

For 'Developing India', DFID it would focus on helping India to achieve the Millennium Development Goals, supporting "selected nationwide schemes in education and health, and in rural livelihoods and urban development." For "Poor India", it would:

[...] provide additional support to Poorest India states, particularly Bihar, Madhya Pradesh and Orissa. DFID will focus on public sector reform, inclusive growth and health and nutrition. Andhra Pradesh and West Bengal have progressed steadily over the last decade so DFID will graduate its support by 2010/11 and redirect resources to the poorest states. There will be a growing focus on Bihar where DFID has initiated a state-level programme in partnership with the World Bank and the Asian Development Bank.

The four focus sectors would be: health and nutrition, education, inclusive growth, and governance reform. On the plan's publication, there was some questioning of a continuing large aid programme given India was (and continues to be) one of the fastest growing economies.¹⁷ In response the then International Development Secretary, Douglas Alexander, said:¹⁸

There are more poor people in India than the whole of Africa ... if you are serious as a global community about [meeting the millennium development goals] then you have to do something about the level of chronic poverty in India ... [India] has to ensure that the success of certain sectors of the economy can build bridges to the whole society, the whole of the economy.

5 Coalition Government statements & other commentary

Prior to the 2010 general election, the Conservative party's white paper on International Development made references to India, for example in relation to the "bottom billion" it said:¹⁹

¹⁶ DFID, [Three Faces of India: DFID India Country Plan 2008-2015](#), 2008

¹⁷ See for example: "[British minister defends £825m aid to help India's poor](#)", *The Guardian*, 19 November 2008

¹⁸ *ibid.*

¹⁹ <http://www.conservatives.com/~media/Files/Green%20Papers/Aid-Policy-Paper.ashx?dl=true>

Relative peace and security, integration into the world economy and better policies have fostered growth and development around the world – most notably in China and India. Millions of people have been lifted out of poverty. Although shocking poverty remains, people in these countries can look to the future with a measure of hope.

It also advocated closer ties with the Commonwealth:²⁰

As Conservatives we believe strongly in the Commonwealth as a force for good which crosses barriers between the rich and the poor world and which promotes accountability and democratic institutions which enable people to hold their politicians and leaders to account. Labour have neglected the potential of the Commonwealth as a powerful tool for development. It is a unique forum, bringing together historically-linked countries from both the developed and developing world. We are bound to these countries by the threads of history, culture, migration and common institutions. Many developing countries which were not originally linked to Britain are eager to join. We will promote our special relationship with these countries, and look at ways of boosting and building on the links and ties of the Commonwealth to foster development.

The Liberal Democrat manifesto did not specifically refer to India,²¹ while the Conservatives' manifesto said it would "work to establish a new special relationship with India, the world's largest democracy" if elected.²² It specifically said it would stop aid programmes to China and Russia, but did not include India:²³

[...] we will stop giving aid to China and Russia and review which other countries should get British aid. We will focus more on the poorest, paying particular attention to development within the Commonwealth.

The Government's Coalition Agreement states: "We will work to establish a new 'special relationship' with India."²⁴ This was followed by the statement in the 2010 Queen's Speech that the Government "looks forward to an enhanced partnership with India."²⁵ A briefing accompanying the Queen's Speech added:²⁶

India is critical to the Government's objectives, from development, regional stability and trade and investment to energy security, climate change, counter terrorism and reform of the global international systems.

The Government is committed to an enhanced partnership with India as an emerging global power, one that reflects our deep and historic ties and recognises India's strategic importance.

We need to better recognise India's rising global influence and work closely with the Indian government to address the many challenges facing South Asia, such as terrorism and extremism. We also need to engage with India's economic potential in a way that promotes both Indian and UK interests through strengthening trade links and increased co-operation in science, research and education. [...] The enhanced partnership will help us in building a genuinely special relationship between our two countries.

²⁰ *ibid.*

²¹ http://network.libdems.org.uk/manifesto2010/libdem_manifesto_2010.pdf

²² http://media.conservatives.s3.amazonaws.com/manifesto/cpmanifesto2010_lowres.pdf

²³ *ibid.*

²⁴ <http://programmeforgovernment.hmg.gov.uk/foreign-affairs/>

²⁵ <http://www.number10.gov.uk/news/speeches-and-transcripts/2010/05/queens-speech-2010-2-50580>

²⁶ <http://www.number10.gov.uk/queens-speech/2010/05/queens-speech-india-50700>

On 3 June's *Today* programme International Development Secretary, Andrew Mitchell, said:²⁷

We are going to look very carefully at every single programme around the world over the course of this summer [...] and I think that we will need to refocus aspects of that programme as a result.

The International Development Secretary announced a review of all DFID's bilateral aid programme on 16 June 2010:²⁸

[...] to ensure that we target UK aid where it is needed most and will make the most significant impact on poverty reduction.

The review will consider which countries should receive British aid, how much they should receive and which countries should stop receiving British aid. It will also consider which aid instruments are most effective at delivering poverty reduction in different contexts. Any savings generated will be redirected to more effective programmes in other poor countries.

Jo Johnson MP, former Financial Times South Asia bureau chief, said that:²⁹

Nowhere is the need to bring this relationship up to date more obvious than in aid. Counter-intuitively, one of the first decisions should be for the Department for International Development, already curtailing aid to China and Russia and promising greater value for taxpayer money, to scale back its substantial India programme. This is, still, the aid agency's single largest country programme, worth £825m over the three years to 2011 – greater than it has been at any point in 20 years.

Defenders of the aid programme can legitimately argue that progress towards the Millennium Development Goals hinges on India. But India can now fund its own development needs, considerable though they are in a country with 450m poor. It has a defence budget of \$31.5bn, plans for a prestige-boosting moon-shot and a substantial foreign aid programme of its own. India is not China; but as a claimant to a permanent Security Council seat and a place at the top table of world affairs, it is also no longer a natural aid recipient.

The moral arguments might be finely balanced, but common sense suggests it is a better idea for the UK to prioritise aid to countries that cannot afford to fund their development over those that take the money because it is going free. Many other donors have in recent years either been kicked out of India for being too small or, like the US, whose aid flows peaked in 1960, stated they are "walking the last mile" in India. The UK accounts for almost 30 per cent of all foreign aid to India. A bit of tough love in the new special relationship should end this anachronism.

Particular attention has also been drawn India's space programme, with a budget of 57.8 billion rupees (around £760 million) in financial year 2010, a 38% increase on the previous year.³⁰

The UK's India aid programme has proved particularly controversial. Alison Evans, Director of the Overseas Development Institute (ODI) also noted that:³¹

²⁷ BBC Radio 4 Today programme, 3 June 2010 ([programme segment on BBC iPlayer](#))

²⁸ "Aid budget to be refocused to deliver better results for world's poorest", DFID press release, 12 June 2010 and See written ministerial statement ([HC Deb, 16 June 2010, c51-2WS](#))

²⁹ Jo Johnson, "Britain needs to show tough love to India", Financial Times, 27 June 2010, see also contribution to the 'Global Poverty' debate in the Commons, [HC Deb 1 July 2010 cc1074-1075](#)

³⁰ India Union Budget 2010-2011: Expenditure [Budget](#), [Department of Space](#) budget grand total (based on sterling exchange rate of 73.06 rupees to the pound, from BBC News – Markets, 28 July 2010).

The debate over whether the UK should continue providing development assistance to India is not new, but it has become a lightning rod for those who argue that the UK aid programme has lost its way.

Having considered the guiding principles for providing aid, Alison Evans argues that “the case of India should not be considered as distinct from the broader challenge of achieving a more poverty-efficient global allocation of aid.”³²

Asked about aid to China and India during a debate on “Global Poverty” in the Commons, the International Development Secretary said:³³

China and India are fundamentally different, because India has more poor people within its boundaries than the whole of sub-Saharan Africa and the average income of an Indian is a third that of a Chinese. Of course we also have deep historical links with India through the Commonwealth and many other mechanisms, so I do not think that there is a direct analogy between the two countries.

In evidence to the Commons’ International Development Committee on 15 July, Mr Mitchell said on aid to India:³⁴

We are looking through the bilateral aid review very carefully at aid to India. I think India is different from China, firstly because of the deep historical links which exist through the Commonwealth – India is the largest democracy in the world. We have very strong historical ties with India – secondly, because in India there are more poor people than in the whole of sub-Saharan Africa and thirdly, because, again, looking at your analogy with China, the average income of an Indian is a third of the income of a Chinese. Equally, however, India is a country with a space programme, it is a nuclear state, in the part of the world that Mr Burden and I represent we have very welcome extensive investment from Indian industry in our industries, and we have to be sure that we can justify the spend, which is currently the largest programme that DFID has, nearly £800 million over the next three years. We have to be sure we can justify it, and we are working hard to assess how best to reorientate the Indian programme and I will be coming forward with proposals as part of the bilateral review in that respect. [...]

A very small amount of money goes to middle income countries and, of course, India will become a middle income country, thank goodness, before much longer. Because of the extent of poverty in certain states in India, we would then have to look anyway at whether or not we move to a more state-based and less federal programme. Those are the sort of considerations which will apply.

The select committee’s Chair, Malcolm Bruce, also announced an inquiry on aid to India to follow later this year,³⁵ and the Development Secretary stated that he was “not approaching the bilateral review on India with any preconceived notions”, and suggested it “would be very helpful” to have the Committee’s report on India as part of the bilateral review, due to end at the end of January 2011.³⁶

In an article about the announcement of a 40% increase in aid to Afghanistan, the *Financial Times* said the Government “has admitted that it is looking with “great care” at whether to cut

³¹ [“Returning to first principles – why give aid to some countries and not to others?”](#) ODI blog Entry, 20 July 2010

³² *ibid.*

³³ HC Deb 1 July 2010 c1045, see [Global Poverty debate in full \(HC Deb 1 July 2010 c1019-1104\)](#)

³⁴ International Development Committee, [The Secretary of State’s Plans for the Department for International Development, Rt Hon Andrew Mitchell MP, Minutes of Evidence \(uncorrected transcript\)](#), 15 July 2010

³⁵ *ibid.*, Q18

³⁶ *ibid.*, Q19

spending on Indian aid projects as part of a root-and-branch review of how the country's £7.3bn international development budget is allocated."³⁷ It added:³⁸

Mr Mitchell's decision to make Afghanistan his "number one priority " raises questions on whether the Indian aid budget will suffer deep cuts to help pay for the increases in Afghanistan and elsewhere. [...] critics have asked why the UK is making development payments to a nuclear power that has a defence budget of \$31.5bn, plans for a moon-shot and a substantial foreign aid programme of its own.

The International Development Secretary also "pointed out that it was "roaring out of poverty" and said he would "look with great care" at its aid allocation."³⁹

The Prime Minister, David Cameron, speaking on 28 July's *Today* programme during a visit to India said the Government was "looking at that issue", and noted that: "[...] as we stand today, a third of world's poor people live in India. If we want to meet the Millennium Development Goals they will stand or fall to some extent on how India deals with that."⁴⁰

He suggested that there might be a:⁴¹

[...] greater focus of British aid towards individual Indian states some of which are still incredibly poor, for instance states like Bihar. [...] There are real problems of deep and entrenched poverty in India, and so that's the justification of there being an aid programme, but the very good reasons you give about the growing wealth and prosperity of India overall it's right that we review this.

The Prime Minister also said there were potential renewable energy and education projects that could be mutually beneficial to the UK and India, including opportunity for British business.⁴²

³⁷ "UK Afghan drive puts aid for India at risk", Financial Times, 18 July 2010

³⁸ *ibid.*

³⁹ *ibid.*

⁴⁰ BBC Radio 4 Today programme, 28 July 2010 ([programme segment on BBC iPlayer](#))

⁴¹ *ibid.*

⁴² *ibid.*

Annex: UK, EC & all donor aid in real terms since 1990

Aid: ODA to India, constant (2008) prices (\$ millions)

	UK	EC	EU-DAC 15	EU DAC15 & EC total	All DAC donors	UK share of all donor total
1990	163.0	100.2	995.4	1,095.5	2,227.0	7.3%
1991	235.9	63.8	1,188.2	1,252.0	3,894.0	6.1%
1992	231.1	120.8	984.1	1,104.9	3,357.7	6.9%
1993	138.3	55.7	631.9	687.6	2,035.9	6.8%
1994	169.4	90.4	618.3	708.7	2,860.6	5.9%
1995	226.6	92.3	650.1	742.4	2,035.9	11.1%
1996	240.0	149.2	518.1	667.4	2,351.7	10.2%
1997	221.9	146.1	502.8	648.8	2,198.6	10.1%
1998	260.2	78.7	505.4	584.1	2,178.9	11.9%
1999	184.2	127.2	210.1	337.3	1,860.2	9.9%
2000	301.6	111.1	330.0	441.1	1,867.4	16.1%
2001	264.3	156.6	556.1	712.7	2,528.7	10.5%
2002	486.5	168.6	304.8	473.3	2,433.0	20.0%
2003	416.2	86.6	313.9	400.5	787.1	52.9%
2004	406.0	177.2	-115.7 (a)	61.6	893.9	45.4%
2005	627.6	232.4	692.7	925.2	2,117.7	29.6%
2006	363.7	252.1	496.2	748.3	1,552.4	23.4%
2007	475.2	96.5	620.7	717.3	1,405.4	33.8%
2008	613.1	122.3	828.4	950.7	2,107.7	29.1%

Note: (a) ODA outflow in 2004

Source: OECD, DAC database (accessed Mar 2010)

