

# Evaluation of DFID's Support for Health and Education in India







Independent  
Commission  
for Aid Impact

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The Independent Commission for Aid Impact (ICAI) is the independent body responsible for scrutinising UK aid. We focus on maximising the effectiveness of the UK aid budget for intended beneficiaries and on delivering value for money for UK taxpayers. We carry out independent reviews of aid programmes and of issues affecting the delivery of UK aid. We publish transparent, impartial and objective reports to provide evidence and clear recommendations to support UK Government decision-making and to strengthen the accountability of the aid programme. Our reports are written to be accessible to a general readership and we use a simple 'traffic light' system to report our judgement on each programme or topic we review.

	<b>Green:</b> The programme meets all or almost all of the criteria for effectiveness and value for money and is performing strongly. Very few or no improvements are needed.
	<b>Green-Amber:</b> The programme meets most of the criteria for effectiveness and value for money and is performing well. Some improvements should be made.
	<b>Amber-Red:</b> The programme meets some of the criteria for effectiveness and value for money but is not performing well. Significant improvements should be made.
	<b>Red:</b> The programme meets few of the criteria for effectiveness and value for money. It is performing poorly. Immediate and major changes need to be made.

# Executive Summary

This evaluation assesses DFID's performance in India by looking through the lens of DFID's work in one state across various programmes. It does this through a review of four health and education programmes in the state of Bihar. Together, these are budgeted to spend over £180 million between 2010 and 2016. We were particularly interested in the impact of these programmes, DFID's approach to corruption and the effect of the changing nature of the partnership between the UK and India on DFID's work.

One third of the world's poor live in India, which receives more UK aid than any other country. India's receipt of UK aid continues to result in public debate, in both countries. DFID focusses its support on three priority states: Bihar, Orissa and Madhya Pradesh. Bihar, with its population of 104 million people (the same number as live in the Philippines), is home to 13% of India's poor.

**Overall** *Assessment: Green-Amber* 

Educational and health indicators in Bihar are improving. DFID's assistance is contributing to these improvements, although the degree to which we can attribute positive change to DFID varies between programmes. DFID has a clear idea of how it will make a difference, including being aligned with Indian national- and state-level initiatives. There is scope for DFID to shift its assistance even further towards those areas where it has most impact, such as the transfer of knowledge and skills. This could improve the value for money of UK involvement.

**Objectives** *Assessment: Green* 

DFID has clear and relevant objectives for its health and education activities in Bihar that support the work of government and of other aid providers. In Bihar, DFID is 'going with the grain', aligning behind initiatives that have strong backing at the highest level whilst also being consistent with DFID's corporate and country priorities. This enables it to support improvements in both management and service delivery. DFID also has appropriate targets that it could emphasise further in its public reporting. These primarily relate to the improvements in the quality of the services it is seeking to support. They also relate to the influence that DFID has on its partners and peer organisations.

**Delivery** *Assessment: Green-Amber* 

DFID's choice of delivery channels for the four programmes is appropriate. DFID has complemented financial aid with technical assistance to improve the effectiveness of its assistance. Effective financial controls are in place to provide adequate measures to reduce potential leakage through fraud and corruption. Reporting

mechanisms for corruption do, however, need to be improved. We understand an overall corruption strategy for DFID India is in preparation and this should include a common approach with other donors to assessing the corruption risks, together with closer working on corruption issues with law enforcement agencies at both national and state levels.

**Impact** *Assessment: Green-Amber* 

Bihar has seen considerable improvements in health indicators in recent years. Many more births are taking place in health facilities and the infant mortality rate is reducing. More children are in school and learning achievements have seen modest improvements. It is not, however, always easy to attribute impacts specifically to DFID where funding is pooled. Gains under the Sector Wide Approach to Strengthening Health (SWASTH) are more readily identified. We are concerned that DFID's future strategy remains unclear, making partners' planning difficult.

**Learning** *Assessment: Green* 

Multiple layers of monitoring and review are used by DFID. These are effective in providing oversight of programme activities. DFID invests in knowledge and research in India, evident in its high level of thought leadership and innovation across the programme and in Bihar. Each of the programmes contained elements that were innovative, particularly improving quality of services and in reaching intended beneficiaries. Knowledge-sharing amongst DFID partners, other donors and local and national government is common.

## Recommendations

**Recommendation 1:** Beginning with its work in Bihar in education and health, DFID should clearly identify and monitor what are the particular benefits provided by UK aid in order to focus its activities where it adds most value.

**Recommendation 2:** DFID should clarify its forward strategy in Bihar to enable delivery partners to plan sustainable programmes for the future.

**Recommendation 3:** DFID should increase even further the contribution it makes through technical assistance in India, which transfers skills and knowledge, because this is where it adds most value.

**Recommendation 4:** DFID's planned anti-corruption strategy should include strengthening ties with local law enforcement bodies and establishing a whistle-blower hotline.

# 1 Introduction

1.1 This report assesses whether the Department for International Development (DFID) is achieving impact and value for money in India through an evaluation of its health and education programmes in the state of Bihar. It looks at four programmes, paying particular attention to financial oversight.

## India and the state of Bihar

1.2 India has a population of 1.21 billion and just over one third of the world's poor live there.<sup>1</sup> Despite the country's recent rapid economic growth (over 8% per annum for much of the last decade), 42% of India's population still live on less than US\$1.25 (around £0.80) per day.<sup>2</sup> One fifth of all child deaths in the world are in India, with girls particularly at risk. At current rates, India will only achieve its 2015 Millennium Development Goal (MDG) poverty targets by 2043. As Save the Children has noted, 'if India fails to achieve the MDGs so does the world'.<sup>3</sup>

1.3 India is divided into 28 states and seven union territories.<sup>4</sup> The country is highly diverse. Each state has an Assembly and Chief Minister, whose roles mirror those of the Parliament and Prime Minister at the national level. Both levels of government make laws and manage budgets, with different responsibilities (including for revenue raising) allocated to each.

1.4 Bihar, with its population of 104 million people, is home to 13% of India's poor.<sup>5</sup> Between 1990 and 2005, per capita incomes grew only by 0.12% per year, in contrast to 4.1% countrywide.<sup>6</sup> During those 15 years, weak political leadership resulted in Bihar becoming a failed state.<sup>7</sup> Transparency International called Bihar India's 'most corrupt

state' in 2005<sup>8</sup> and, according to the New York Times in 2010:

'The name captured everything that was wrong with old India – a combustible mix of crime, corruption and caste politics in a state crucible that stifled economic growth'.<sup>9</sup>

1.5 In 2005, Nitish Kumar was elected as the new Chief Minister of Bihar. Since then, the state's fortunes have rapidly improved. The Chief Minister has driven through a process of reforms that have improved respect for law and order, improved service delivery and led to increased business activity.

Figure 1: Bihar and the states of India



## UK funding and support to India

1.6 Until 2010-11, India received the most UK bilateral aid of any country (see Figure 2 on page 3) and DFID's office in Delhi is one of its largest country offices. Public debate in the UK and India has questioned the need for UK aid to India. During 2011, the International Development Committee (IDC) reviewed DFID's programme and concluded that support up to 2015 (the period of the current country plan) remained justified.<sup>10</sup>

<sup>1</sup> UNDP, data for 2007. See UNDP website for full description of dimensions of poverty, <http://hdr.undp.org/en/statistics/mpi/>.

<sup>2</sup> See UNDP Country Profile: Human Development Indicators for India, <http://hdrstats.undp.org/en/countries/profiles/IND.html>.

<sup>3</sup> *The Future of DFID's Programme in India*, written evidence submitted by Save the Children to the International Development Committee, March 2011, [www.publications.parliament.uk/pa/cm201011/cmselect/cmintdev/writev/616/m15.htm](http://www.publications.parliament.uk/pa/cm201011/cmselect/cmintdev/writev/616/m15.htm).

<sup>4</sup> Census of India, <http://censusindia.gov.in/>.

<sup>5</sup> This is approximately equal to the population of the Philippines. Data from the Census of India, <http://censusindia.gov.in/>.

<sup>6</sup> Data from Planning Commission of India, <http://planningcommission.nic.in/>.

<sup>7</sup> *From Worst to Near First*, Newsweek Magazine, February 2010,

<http://www.thedailybeast.com/newsweek/2010/02/11/from-worst-to-near-first.html>.

<sup>8</sup> *India Corruption Study 2005*, Transparency International, 2005,

[http://www.transparencyindia.org/resource/survey\\_study/India%20Corruption%20Study%202005.pdf](http://www.transparencyindia.org/resource/survey_study/India%20Corruption%20Study%202005.pdf).

<sup>9</sup> Lydia Polgreen, *Turnaround of Indian State Could Serve as a Model*, April 2010, New York Times, <http://www.nytimes.com/2010/04/11/world/asia/11bihar.html>.

<sup>10</sup> *The Future of DFID's Programme in India, Volume 1*, International Development Committee, June 2011, HC 616,

[www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/616/616.pdf](http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/616/616.pdf).

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**Figure 2: The five largest recipients of bilateral UK aid**

	2008-09		2009-10		2010-11		2011-12 to 2014-15 plans	
		£ million		£ million		£ million		£ million
1	India	297	India	295	India	279	Pakistan	1,392
2	Ethiopia	166	Ethiopia	214	Ethiopia	251	Ethiopia	1,325
3	Afghanistan	147	Bangladesh	149	Pakistan	203	India	1,120
4	Bangladesh	133	Sudan	146	Bangladesh	174	Nigeria and Bangladesh	1,000
5	Tanzania	132	Tanzania	144	Tanzania	146		

Source: DFID Statistics in Development and the Bilateral Aid Review

1.7 During 2005-06, India re-negotiated its partnerships with external funders. This process contributed to a decision by DFID to focus its support on three priority states: Bihar, Orissa and Madhya Pradesh. At the same time, DFID chose to continue to provide funding through some country-wide programmes.<sup>11</sup>

1.8 The Government of India (Gol) sets and monitors standards for health and education. States deliver most services. At the same time, Gol funds key programmes for implementation in states. As in any federal system, relationships between Gol and the administrations in the states vary. Annual budgeting processes for national education and health programmes require states to account to Gol for expenditure and past performance. National ministries actively monitor states' performance.

1.9 DFID has chosen to fund both national- and state-level activities in health and education. DFID thus works simultaneously with partners at both levels of government. DFID's current operational plan (2011-15) expects the UK to contribute £173 million on education in India over the period. The total spend on health-related activities<sup>12</sup> is £248 million.<sup>13</sup>

1.10 This evaluation considers key elements of DFID's support for Bihar in health and education through national and state programmes. The programmes that we have examined in this evaluation, which

are set out in more detail in Figure 3 on page 4, are:

- **Sarva Shiksha Abhiyan (SSA)**, a programme which seeks to enable universal access to primary education<sup>14</sup> across the country, including Bihar;
- the **Reproductive and Child Health Programme (RCH)**, which is a component of the National Rural Health Mission. This programme works nationwide, with an emphasis on 18 poorer states, including Bihar;
- the **Sector Wide Approach to Strengthening Health (SWASTH)**, which aims to increase the use of quality, essential health, nutrition, water and sanitation services, especially by poor people and excluded groups, in Bihar; and
- the **Gyan Shala** programme in Bihar, which seeks to provide affordable, quality primary education to children of the poorest urban communities in Patna and Bihar Sharif.

<sup>11</sup> DFID Operational Plan, DFID India 2011-2015, DFID, October 2011, <http://www.dfid.gov.uk/documents/publications1/op/india-2011.pdf>.

<sup>12</sup> According to the DFID Operational Plan this includes reproductive, maternal and newborn health, malaria, HIV/AIDS, other health and water and sanitation.

<sup>13</sup> DFID Operational Plan, DFID India 2011-2015, DFID, October 2011, <http://www.dfid.gov.uk/documents/publications1/op/india-2011.pdf>.

<sup>14</sup> Primary education is used throughout this report to mean elementary education, which in India covers children from 6 to 14 years.

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**Figure 3: Summary of assistance for health and education provided to Bihar**

	Sarva Shiksha Abhiyan (Basic Education for All) <sup>15</sup>	Reproductive and Child Health Programme II <sup>16</sup>	Sector Wide Approach to Strengthening Health, in Bihar	Gyan Shala (low-fee private schools) <sup>17</sup>
<b>Scale</b>	All states and union territories	Nationwide, with 18 priority states including Bihar	Bihar only	Bihar only
<b>Purpose</b>	'Increase the number of 6-14 year-old children, especially from special focus groups, enrolled, regularly attending and completing elementary education and demonstrating basic learning levels.'	'Expand the use of essential reproductive and child health services of adequate quality and reduce geographical disparities in access to health.'	'Increase use of quality, essential health, nutrition, water and sanitation services, especially by poor people and excluded groups.'	'Provide affordable, quality primary education to children of the poorest urban communities in Patna and Bihar Sharif.'
<b>Details</b>	<ul style="list-style-type: none"> <li>Programme for Universal Primary Education, running since 2000. DFID focus on upper primary (11-14);</li> <li>Third phase of DFID support;</li> <li>Since 2009, seen as key vehicle to implement the Right of Children to Free and Compulsory Education Act (in force since 2010);</li> <li>Targets 193 million children in 1.35 million schools;</li> <li>Oversight by Ministry of Human Resource Development but implemented at state level;</li> <li>DFID funds financial aid and technical support (primarily for National Council for Educational Research and Training (NCERT));<sup>18</sup></li> <li>Financial aid provided on reimbursement basis against audited approved expenditure;</li> <li>World Bank is lead donor partner, monitoring and managing the programme; and</li> <li>Joint monitoring on six-monthly basis.</li> </ul>	<ul style="list-style-type: none"> <li>Part of the larger National Rural Health Mission (NRHM);<sup>19</sup></li> <li>Follows on from RCH I;</li> <li>Works across the Empowered Action Group (EAG) states where infant mortality is highest;<sup>20</sup></li> <li>Financial aid provided on a reimbursement basis against audited approved expenditure;</li> <li>Technical assistance provided at the national level, including monitoring state performance;</li> <li>Overseen by National Ministry of Health and Family Welfare;</li> <li>Funding from national level through State Health and Family Welfare Societies;</li> <li>Funds disbursed against previous year's financial management reports; and</li> <li>Joint monitoring (donors and government) on a six-monthly basis includes visits.</li> </ul>	<ul style="list-style-type: none"> <li>Sector support programme targeted at the Departments of Health, Social Welfare and Public Health Engineering plus the Women's Development Corporation;</li> <li>Financial aid and technical assistance;</li> <li>Financial aid includes £15 million for self-help groups to address gender issues and hold service providers to account;</li> <li>Funding channelled through national government to state Finance Department then to state-level societies<sup>21</sup> for each department;</li> <li>Funds are additional to state's budget and used for purposes agreed with DFID only; and</li> <li>DFID oversight by health team in Delhi and state programme manager.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on providing quality primary education to 13,250 children in Bihar;</li> <li>Seen as a pilot for testing how to provide low-cost education that is equitable, financially sustainable and can be replicated (which will be assessed under DFID's South Asia Research Hub); and</li> <li>Funded through an accountable grant.</li> </ul>
<b>Timing</b>	Current DFID funding March 2008 – March 2013	December 2006 – March 2012	April 2010 – March 2016	October 2011 – March 2013
<b>DFID budget</b>	£299 million	£252 million	£145 million	£881,627
<i>Financial Assistance</i>	£285 million	£242.5 million	£120 million	£881,627
<i>Technical Assistance</i>	£14 million	£9.5 million	£25 million	Nil
<b>DFID contribution</b>	10% donor financed DFID 3% of total SSA (World Bank 6%, European Union 1%) (Government of India 90%)	35% donor financed DFID 18% of RCH (World Bank 15%, United Nations Population Fund 2%) (Government of India 65%)	DFID 100% of funds	DFID 78% of total (22% Bihar state and parental contributions)
<b>Spent nationally by DFID</b>	£219 million	£161.75 million financial aid £6.5 million technical assistance	Nil	Nil
<b>Spent in Bihar by DFID</b>	£15 million financial aid; technical assistance provided at national level	£4.12 million financial aid; technical assistance provided at national level	£30 million financial aid, £5.7 million technical assistance	To date £134,000. DFID makes quarterly payments against detailed forecasts for the quarter and the full utilisation of the previous disbursement.

<sup>15</sup> *Sarva Shiksha Abhiyan*, Ministry of Human Resource Development – Department of School Education and Literacy, Government of India, <http://ssa.nic.in/>.

<sup>16</sup> *RCH Phase II Program Launch*, India Department of Health and Family Welfare, Government of India, <http://mohfw.nic.in/NRHM/RCH/Index.htm>.

<sup>17</sup> *Gyan Shala*, <http://gvanshala.org/>.

<sup>18</sup> *NCERT Annual Report 2011*, National Council of Educational Research and Training, November 2011, [http://www.ncert.nic.in/rightside/links/pdf/annual\\_report/annual\\_report\\_10-11.pdf](http://www.ncert.nic.in/rightside/links/pdf/annual_report/annual_report_10-11.pdf).

<sup>19</sup> *National Rural Health Mission*, India Ministry of Health and Family Welfare, Government of India, <http://mohfw.nic.in/NRHM.htm>.

<sup>20</sup> EAG states are Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttaranchal and Uttar Pradesh.

<sup>21</sup> State societies have been established since the late 1990s as a mechanism to directly channel earmarked funds with specific purposes, principally those coming from outside individual states, either from central government or donors. They remain under the oversight of state officials.



# 1 Introduction

## Responding to the challenge of corruption

- 1.11 In spite of a strong civil society and free media, in 2011 India ranked 95<sup>th</sup> out of 183 countries on the Transparency International Corruption Perception Index.<sup>22</sup> This was a worsening position from 2010 when India ranked 87<sup>th</sup> and this follows several years dropping down the rankings from a high of 70<sup>th</sup> in 2006.
- 1.12 The Gol response has been to open up government data through 'Right to Information' legislation (similar to Freedom of Information in the UK). This action has seen the publication on official websites of government budgets and allocations of funds, details of tenders and awards and more recently publication of the assets of public officials. Despite this, corruption remains widespread and support for actions to combat corruption have become increasingly vocal, most notably through the Anna Hazare movement. Other bodies, such as [www.ipaidabribe.com](http://www.ipaidabribe.com), are also growing in impact.
- 1.13 National investigation agencies have considerable power. The Central Bureau of Investigation (CBI) is a law enforcement agency that seeks to combat corruption in public institutions.<sup>23</sup> The Comptroller and Auditor General audits government financial spending, playing a similar role to the UK National Audit Office.<sup>24</sup> Both organisations publish reports of their activities on their websites.
- 1.14 During 2011, the state of Bihar enacted its own anti-corruption bill, ahead of a similar national bill that has been passed but not yet enacted.<sup>25</sup> Bihar has also set up a special vigilance unit staffed by police officers and former CBI officers. The unit is small, with only around 100 officers. It has, however, achieved some significant results, completing 74 sting operations in 2011, including the arrest of ten police officers.<sup>26</sup> It receives, on

average, around 50 reports of alleged corruption a day, as well as around 12 cases a month referred from the Bihar High Court.

- 1.15 More recently, the state has established an anti-corruption ombudsman, with powers to investigate corruption allegations against ministers (including the Chief Minister) and civil servants.

## Methodology

- 1.16 This report considers the results and approaches of the programmes set out in Figure 3 on page 4. We were particularly interested in the impact of these programmes, DFID's approach to corruption and the effect of the changing nature of the partnership between the UK and India on DFID's work.
- 1.17 We carried out our evaluation between December 2011 and February 2012. It comprised the following elements:
- a literature review;
  - an examination of DFID financial information;
  - meetings with DFID office staff in India;
  - interviews with officials from the national and Bihar state governments;
  - meetings with co-funding donors in India;
  - reviews of the financial management systems of DFID's partners;
  - examination of DFID and partner monitoring systems;
  - field visits to sites where programmes are delivered in Bihar;
  - meetings with intended beneficiaries;
  - meetings with civil society representatives in Bihar; and
  - collection of expert third party views of impact from technical experts such as academics and non-governmental organisations (NGOs).

<sup>22</sup> *Transparency International Corruption Perceptions Index 2011*, Transparency International, 2011, <http://cpi.transparency.org/cpi2011/results/>.

<sup>23</sup> Central Bureau of Investigation, <http://cbi.nic.in/>.

<sup>24</sup> Comptroller and Auditor General of India, <http://www.cag.gov.in/>.

<sup>25</sup> The Jan Lokpal Bill was passed at national level in December 2011, but has yet to be enacted. Bihar's own Lokayutka Bill was enacted in November 2011.

<sup>26</sup> For recent examples see *Bihar dismisses five police officials for corruption*, The Bihar Times, 10 February 2012, <http://www.bihartimes.in/Newsbihar/2012/Feb/newsbihar10Feb1.html> and *Graft-*

*buster cop in net for ATM fraud*, The Telegraph (of India), 24 November 2011, [http://www.telegraphindia.com/1111124/jsp/bihar/story\\_14791294.jsp](http://www.telegraphindia.com/1111124/jsp/bihar/story_14791294.jsp).

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- 1.18 The five-person ICAI team comprised UK- and India-based experts, with additional research support from the United States. Field visits in Bihar were primarily undertaken by three Hindi-speaking team members.
- 1.19 We undertook at the same time a separate review of DFID support to education in three East African countries: Rwanda, Tanzania and Ethiopia.<sup>27</sup> While the focus of that review is rather different from this study, we compare and contrast our findings where it is useful to do so.

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<sup>27</sup> *Evaluation of DFID's Education Programmes in Three East African Countries*, Independent Commission for Aid Impact, May 2012, <http://icai.independent.gov.uk/publications/icai-reports/>.



## 2 Findings

### Objectives

Assessment: Green 

2.1 This section considers whether DFID's work in Bihar has clear, relevant and realistic objectives that focus on the desired impact. It looks at DFID's operational plan, approach and expected results and discusses whether its objectives support and complement those of others. It finally examines some objectives that DFID has which it does not capture in its systems or on which it does not report.

### A programme in transition

2.2 DFID's 2008 country plan was titled Three Faces of India. DFID saw these faces as first 'Global India', secondly 'Developing India' and thirdly 'Poorest India'.<sup>28</sup> DFID's current plan similarly notes that India is a 'growing global power'; its relationship with the UK is changing.<sup>29</sup>

2.3 Public debate in the UK and India has questioned the need for UK aid. During 2011, IDC reviewed DFID's programme and concluded that support up to 2015 (the period of the current country plan) remained justified. IDC concluded in its June 2011 report on the future of DFID's aid in India that '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. DFID rightly focusses on catalytic, demonstration projects that can be replicated and scaled up. This approach should continue.'<sup>30</sup> DFID has yet to clarify the nature of its programme for India after 2015.

2.4 While DFID's programme is thus in transition, it has remained constant in its focus on the poorest. In its 2008 country plan, DFID set out its decision to focus on three states (Bihar, Madhya Pradesh and Orissa). The 2008 plan prioritised four areas: education, health and nutrition, inclusive growth and governance reform. The latest Operational

Plan for India (2011-15) sets out four strategic priorities. These are to:

- 'focus on India's low-income states';
- 'improve the lives of over 10 million poor women and girls';
- 'catalyse the private sector's potential to combat poverty'; and
- 'deepen our engagement with India on global issues where there may be benefits for poor people elsewhere'.<sup>31</sup>

### DFID's approach

2.5 DFID India's approach exhibits a coherent 'theory of change' (see Figure 4 on page 8). In practice, DFID's objectives for Bihar support those of the state's political and administrative leaders. DFID is 'going with the grain', aligning behind initiatives that have strong backing at the highest level whilst also being consistent with DFID's corporate and country priorities. This enables DFID to support improvements in core administrative functions that themselves can strengthen service delivery. As long as such political commitment is sustained, this approach necessarily increases the chances of DFID's aid being successful, since it reinforces improvement in the systems which deliver services to the population. There is, inevitably, some risk to DFID if the political situation were to change. While DFID and UK diplomatic staff monitor the political situation in Bihar, we saw no rolling risk register covering these risks, which we would expect.

<sup>28</sup> *DFID India Country Plan 2008-2015*, DFID, 2008, <http://webarchive.nationalarchives.gov.uk/http://www.dfid.gov.uk/pubs/files/india-cap.pdf>.

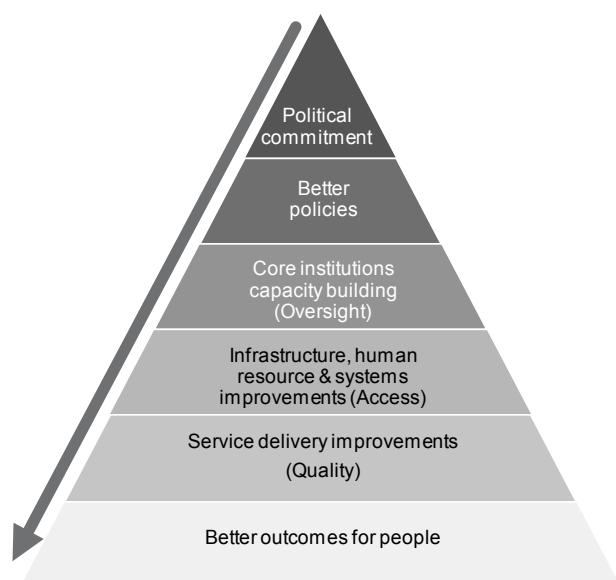
<sup>29</sup> *DFID Operational Plan India 2011-2015*, DFID, October 2011, <http://www.dfid.gov.uk/documents/publications1/op/india-2011.pdf>.

<sup>30</sup> *The Future of DFID's Programme in India, Volume 1*, International Development Committee, June 2011, HC 616, [www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/616/616.pdf](http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/616/616.pdf).

<sup>31</sup> *DFID Operational Plan India 2011-2015*, DFID, October 2011, <http://www.dfid.gov.uk/documents/publications1/op/india-2011.pdf>.

## 2 Findings

**Figure 4: ICAI's interpretation of DFID India's theory of change**



Source: Derived from DFID documents and interviews with staff

### DFID's expected results

- 2.6 Activity in Bihar is expected to make a significant contribution to DFID's expected results for India. Figure 5 on page 9 shows results for health and education, as well as the contribution of DFID's work in Bihar to its overall objectives for the country.
- 2.7 Figure 5 on page 9 also shows how the targets in DFID's Operational Plan are derived from national programmes (e.g. RCH and SSA) and/or the activities in the three priority states (e.g. SWASTH and Gyan Shala). For national programmes, DFID uses the proportion of the costs which it contributes to estimate the proportion of overall results it can claim to achieve. Similarly, the proportion of the national programme spent in states is used to estimate the results for each state, in this case Bihar. This method of allocating objectives and expected results is used across DFID. Where DFID makes a large relative contribution to overall funding, this would appear a credible mechanism for allocating results. Where DFID has a much smaller proportion of funding (as in RCH and SSA) it is more difficult to be clear that such funding has directly had specific results.

- 2.8 DFID's 2008 country plan noted that 'enrolment, teacher recruitment and school construction have all improved dramatically in recent years but the focus must now be on improving the very poor quality of education'.<sup>32</sup> We note that DFID India's headline targets for education and health are expressed in terms of providing access to services. Although these formal targets do not include outcomes or quality, DFID India has additional indicators that apply across the entire portfolio of UK-funded education activities, which include:

- increasing by 2% the number of children who after two years of primary education have sufficient fluency to 'read to learn';<sup>33</sup>
- increasing the number of children who move to grade 5 (age 10-11) by 4%; and
- increasing the number of female teachers in the primary system to 47%.<sup>34</sup>

- 2.9 It is notable that these indicators focus on improving the quality of the service delivered. This contrasts with the targets set out in Figure 5 on page 9 that emphasise enabling more people to access services. This is also in contrast to our findings on DFID education programmes in East Africa, where DFID objectives have focussed on access, leading to relative neglect of learning outcomes. Compared to the East African programmes, DFID India offers a more balanced set of objectives.

- 2.10 Where DFID is contributing to a national programme, such as RCH or SSA, it aligns behind Gol's own priorities and incorporates its objectives. Such objectives have been arrived at through a process of some debate. In the case of the second tranche of funding for RCH II, new objectives were derived during a year-long process of analysis of RCH I. This included academic, official and expert stakeholders from across India. In Bihar, the SWASTH programme's objectives resulted from comprehensive negotiations with the state government and were informed by 28 analytical studies.

<sup>32</sup> DFID India Country Plan 2008-2015, DFID, 2008, <http://webarchive.nationalarchives.gov.uk/http://www.dfid.gov.uk/pubs/files/india-cap.pdf>.

<sup>33</sup> Based on the work of Pratham and ASER, see <http://www.pratham.org/>.

<sup>34</sup> Information provided to ICAI review team by DFID.

## 2 Findings

**Figure 5: DFID India's overall strategic priorities and expected results for health and education, 2011-15**

Strategic priority	Indicator	DFID's results	How DFID derives its results	Proportion of total DFID India results in Bihar and how to be achieved
<b>Health</b>	Number of births delivered with the help of nurses, midwives or doctors (in Bihar, Madhya Pradesh and Orissa)	447,000 births 2011-15	DFID's pro-rata share of an overall result of 3.1 million births in 2014-15 and 13.9 million births between 2011-15, based on its contribution to budgets	40% of total for India in Bihar 178,800 live births Through SWASTH and RCH
<b>Nutrition</b>	Number of children under five reached by nutrition programmes (in Bihar, Madhya Pradesh and Orissa)	3.9 million children 2011-15	DFID pro-rata share of a total result of 17.3 million children in 2014-15	70% of total for India through SWASTH 3.12 million people
<b>Water and sanitation</b>	Number of people with sustainable access to an improved sanitation facility (in Bihar, Madhya Pradesh and Orissa)	5.8 million people 2014-15	DFID pro-rata share of a total result of 42 million people in 2014-15, based on its contribution to budgets	60% of total for India in Bihar through SWASTH 3.48 million people
<b>School education (ages 6-16)</b>	Number of girls and boys supported by DFID to enrol in basic education (ages 6-14)	1.5 million children, including 0.73 million girls	DFID pro-rata share of children enrolled in government-supported elementary schools in 2012-13 when DFID funding to elementary education ceases	10% for total of India in Bihar 150,000 children through SSA 13,500 Gyan Shala
	Number of girls and boys supported by DFID to enrol in secondary school (ages 15-16)	800,000 students, including 300,000 girls	DFID share of a total result of 31.4 million students enrolled in 2014-15	Not yet defined

Source: *DFID Operational Plan India 2011-2015*, DFID, October 2011, <http://www.dfid.gov.uk/documents/publications1/op/india-2011.pdf>.

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2.11 DFID also seeks to influence national programmes' outcomes, adding additional targets it wishes to achieve to RCH and SSA. For instance, DFID's own outcome level indicators for SSA include:

- increasing the retention rates of primary school children, which is a formal target of the SSA programme; and
- improving the learning levels in maths and reading at Grades 3, 5 and 8, which are not formal targets of the SSA programme.<sup>35</sup>

### Division of labour

2.12 We saw how DFID contributes to co-ordinating the objectives and work of other partners at national and state level. Donors and government partners reported to us that there is a clear division of labour in Bihar between funders, with DFID being the lead provider of assistance to health care in the state. It was notable that this division of labour was not as evident to some NGO partners. The division of labour between funders was enabled by DFID and other partners collectively agreeing to support the Government of Bihar after the 2005 election. Indeed, the initial plan for UK assistance to Bihar was that DFID and the World Bank were to pool funds into a single programme. After discussion, DFID chose to have its own programme.

### DFID seeks to do more than it reports

2.13 The evidence from the four programmes indicates that DFID India undertakes activities that are not captured in its performance management systems. These primarily relate to DFID seeking to influence the operation of partners, particularly through the sharing of knowledge and know-how (either directly through its staff or through technical assistance teams such as SWASTH or those funded through RCH and SSA). It is not clear why DFID has not captured these activities. We see these as key tasks where DFID brings considerable added value. We saw a draft version of a results tracking tool that will be used in DFID India to collate all its results in the future. The head of DFID India has requested that this tool captures DFID's 'transformational' activities. DFID India,

however, has not yet fully defined the knowledge-sharing and influencing elements of its programmes in terms of specific objectives. It has also not identified how achievement against such objectives should be reported.

### Delivery

Assessment: Green-Amber 

2.14 This section considers how DFID delivers the four programmes. It covers:

- DFID's complementary approaches to delivery;
- how DFID focusses funding in Bihar;
- DFID's relationships with other funders;
- the overall contribution of the UK's finance;
- how DFID leverages other assistance;
- the work with the private sector;
- financial oversight; and
- the response to fraud and corruption.

### DFID's complementary approaches

2.15 DFID India uses various delivery models for health and education. It provides financial aid and grants, funds technical assistance and supports research and advocacy.

2.16 Money channelled through national programmes such as RCH and SSA primarily (but not exclusively) funds improvements to basic services. The largest proportion of SSA spending in Bihar goes on civil works such as the construction of new classrooms and schools (see Figure A1 in the Annex). DFID complements such funding with specific technical assistance:

- under RCH, a consultancy firm has been funded by DFID to strengthen the Ministry of Health and Family Welfare's financial and programme management capacity; and
- under SSA, DFID funds international and local experts who support NCERT. They seek to improve the assessment and management of educational outcomes.

<sup>35</sup> Disaggregated for gender, minority groupings and disability.

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### Figure 6: 2010-11 National Achievement Survey

During 2010-11, NCERT (supported by DFID) conducted a National Achievement Survey of 100,000 grade 5 pupils (aged 10 or 11). The survey used information from 20 states where more than 80% of all students provided returns. It assessed ability in reading, mathematics and environmental studies.

While the survey found significant differences in attainment between the states, it found none between boys and girls, nor urban and rural children. Students from minority groups scored significantly lower than their peers.

Source: *What Do They know?*, NCERT, 2011

- 2.17 In the state of Bihar, financial aid for the health sector under SWASTH is complemented by a large technical support team. Gyan Shala is funded in the form of direct grants without complementary technical assistance (which is DFID's usual method of funding NGOs).
- 2.18 DFID also funds NGOs and research institutions that can act outside the system to provide research or advocate for change.<sup>36</sup> Funding for such NGOs comes either from DFID's central finances or from DFID India's country budget. We saw how DFID retains relationships with advocacy NGOs in both the health and education sectors. For example, the Indian NGO Pratham undertakes the influential *Annual Status of Education Report* (ASER) that DFID and other donors use to monitor educational outcomes.<sup>37</sup>
- 2.19 This mixed approach to delivery is both rational and effective. Each element reinforces and complements the work of the other. Technical assistance also serves to mitigate risks relating to the management of finances. We find the approach more convincing than some of those we reviewed in East Africa, particularly in Tanzania, where reliance on budget support as the sole form of assistance has left DFID with less capacity to address complex institutional challenges.

<sup>36</sup> For instance the Consortium for Research on Educational Access, Transitions and Equity, see <http://www.create-rpc.org/>.

<sup>37</sup> See <http://www.pratham.org/>, and for the enrolment and learning report card see <http://pratham.org/images/Enrollment-learning.pdf>.

### Focussed funding in Bihar

- 2.20 DFID prioritises assistance to three states in India, of which Bihar is one. Plans are agreed jointly with DFID and the Government of Bihar and closely monitored by technical support consultants, who also ensure financial management (including procurement) is robust for UK-funded activities. This technical assistance specifically seeks to build administrative and management capacity in the state in health and related departments supported by the UK.
- 2.21 It is notable that in Bihar, rather than providing broad budget support, DFID earmarks financing for particular purposes under SWASTH. As can be seen in Figure 7 on page 12, DFID's funding for SWASTH is targeted at particular departments of the Bihar Government.
- 2.22 Bihar receives a proportion of DFID's funding for its national programmes (RCH and SSA) which support all Indian states. Figure 8 on page 13 shows how the funds for SSA flow from national level.
- 2.23 DFID's priority state model means that other UK expenditure complements its work in health and education in Bihar. DFID has an £18 million governance reform programme in the state, of which £7.8 million has been spent to date. This seeks to strengthen core administrative and governance capacity, notably relating to human resources (not least the police), improving tax revenue and performance management systems.<sup>38</sup> This aims to mitigate some risks associated with funding individual sectors.

### Close working relationships with partners

- 2.24 Unlike many other contexts, the relationship between DFID and its partners in India (who are mainly in state and national governments) is more that of equals than of donor and recipient. The majority of the staff in the DFID India office (including many who are senior) is Indian. There is a pattern of Indian government officials taking secondments to DFID India. Such factors immediately mean that staff know much more

<sup>38</sup> DFID Project Information – Support for Governance Reform in Bihar. See <http://projects.dfid.gov.uk/project.aspx?Project=108003>.

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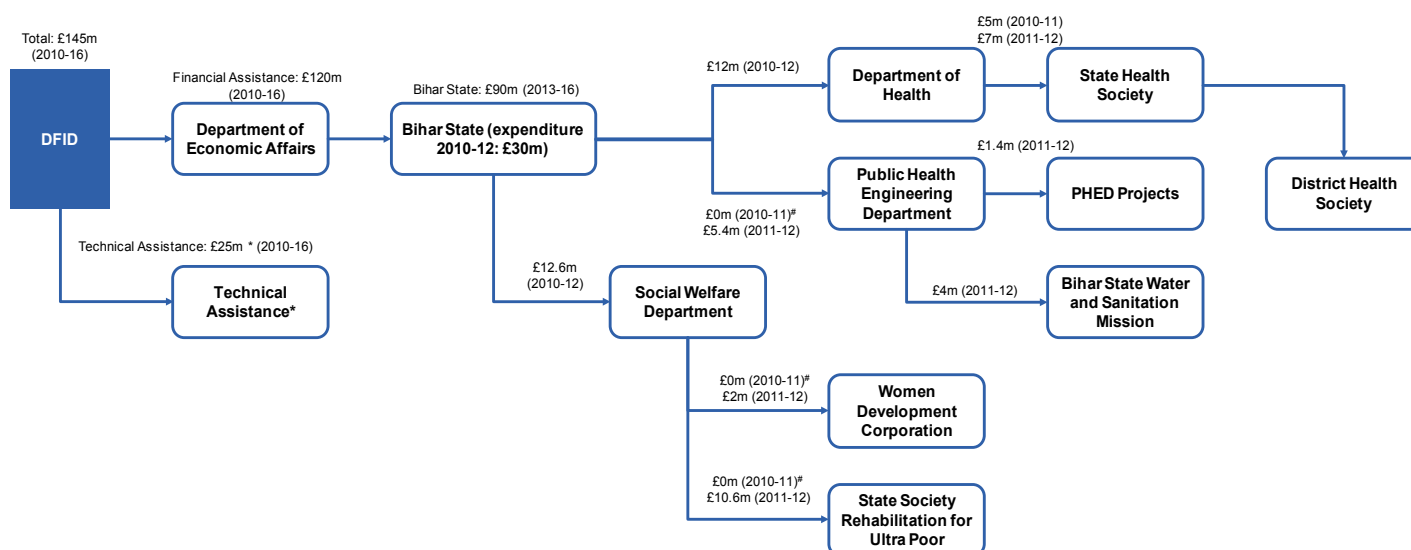
about the local context than do expatriates on a three-year posting. It also means that staff have established networks that allow DFID to access people and knowledge. We saw how local staff in India are as critical and challenging of government and other partners as expatriate staff, if not more so. The high proportion of local staff makes a significant positive impact on the effectiveness of the programme.

2.25 Some of the key expatriate staff (including the head of office) have had a long relationship with the country, some being posted to India more than once or having their postings extended beyond the usual three-year period. The size of the DFID office allows both relationships and a high level of expertise to be maintained. This is also supported by the UK Government's wider presence in the country.

2.26 DFID also has very strong and close relationships in the State of Bihar. The current Principal Secretary for Health (who is the lead client for the SWASTH programme) was a DFID education adviser in Delhi for four years. DFID technical and administrative staff (not least the state programme manager) maintain close contact with state and other officials. We note, however, that accountability is not compromised by such close relationships. DFID staff maintain clear oversight of activities and hold individuals to account for administering UK funds (including those employed by the Government of Bihar). Members of the Delhi-based DFID health team visited Bihar 72 times during 2011.

2.27 Relationships with other funders are also effective. We saw how DFID participates in joint planning and co-ordination with other donors.

**Figure 7: SWASTH 2010-16: Financial aid component fund flow showing actual and planned expenditure**



\*Used to procure consultants, finance innovations, pilots and research. A substantial part of this budget (£18 million) is used to contract Care International, UK to provide technical assistance for the first four years of the project. Of this £18 million £5.7 million has been spent in 2010-12. Care International's payments are made directly from DFID against monthly progress reports and specific payment-linked deliverables.

The remaining amount from £25 million remains with DFID to meet future consultancy costs and other related expenses. No part of the £25 million is distributed to districts.

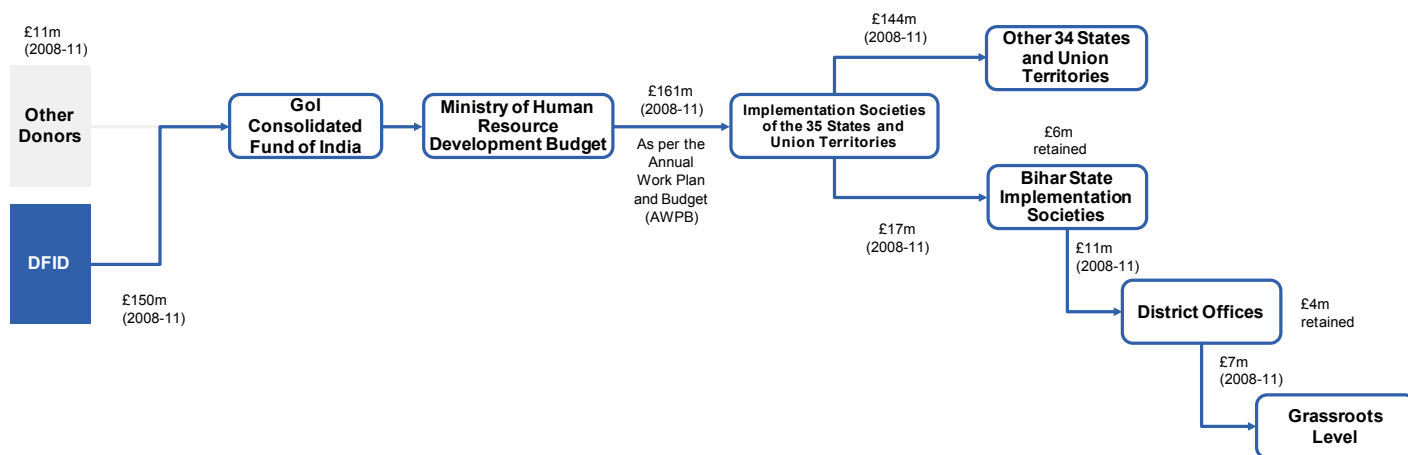
\*Zero spend in 2010-11 for some departments occurred because systems for payment and monitoring were not in place. See paragraph 2.37.

Source: These figures have been extrapolated from details provided to ICAI by DFID India



# 2 Findings

**Figure 8: Sarva Shiksha Abhiyan II 2008-11: Fund flow showing expenditure to date**



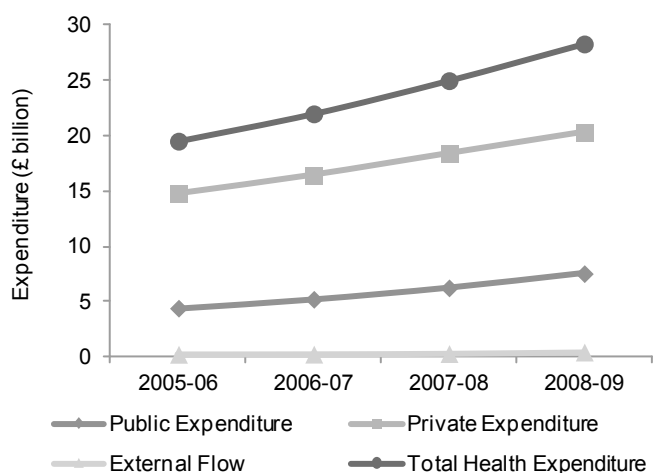
SSA is a Gol national programme which is paid on reimbursement by DFID. 'Retained' funds are funds held back by DFID because of queries raised against spending, usually in an audit. See paragraph 2.37.

Source: These figures have been extrapolated from details provided to ICAI by DFID India

## The contribution of UK funds

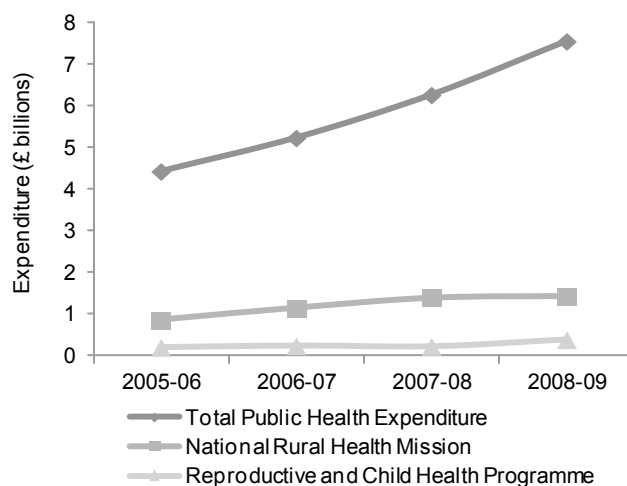
2.28 Figure 9 shows the relative contribution of all sources of funding of health care in India. While private sources of funding (including out-of-pocket spending and insurance) make up the largest proportion of actual expenditure, government and NGO services (covered under 'external') make significant contributions. These sectors are the primary providers of services to the poor.

**Figure 9: India: Health finance – all sources**



Source: World Bank data

**Figure 10: Contribution of NRHM and RCH to public health expenditure**



Source: World Bank data

2.29 Figure 10 shows the relative contribution of the RCH programme to public health expenditure. As shown in Figure 3 on page 4, DFID has committed £242.5 million to the RCH programme in the period 2006-12 (21% of the total). This is less than 1% of the overall public health expenditure in any year (see Figure 10). Similarly, for education, in Bihar during 2008-11, UK funding for SSA was 1.7% of the total for that programme in the state. While



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these are small proportions of the whole, DFID argues that they enable it to leverage influence on policy-makers.

- 2.30 The primary mechanisms for such leverage are the dialogue about the design of national programmes such as RCH and SSA and the regular reviews that monitor their performance. DFID also brings (Indian and international) third party knowledge to the attention of Gol to influence its activities. While DFID does not yet systematically capture such influence, we heard from Gol and Bihar Government officials and from NGOs and experts how it had successfully advocated changes in key areas such as the quality of education, health systems reform and strengthening financial management.
- 2.31 Figure 10 on page 13 also shows how funding for health care from the Indian public purse has increased. It has more than doubled in the five years to 2010; in 2009-10 it was £8.6 billion. As India's economy grows and Gol commits more public finance to health and education in India, DFID's money has become proportionally less important in cash terms. We agree that, as IDC suggests (see paragraph 2.3 on page 7), DFID's funds should be catalytic. DFID staff often argue that, if the UK wishes to influence change, it needs to provide money to 'get a seat at the table' with government and partners that enables DFID to influence policies, practice and standards of financial management on a large scale.
- 2.32 There is a shared understanding by partners in India and among DFID staff that the most catalytic assistance provided is in the form of knowledge and skills. While this is true, however, the largest proportion of the spending is in the form of financial aid. It is notable that under the (more recently designed) SWASTH programme in Bihar, there is a considerably higher proportion of technical assistance (20% or £25 million, alongside 80% or £120 million financial aid – see Figure 3 on page 4). This is in contrast to both RCH and SSA (which were designed earlier than SWASTH), where the proportion of technical assistance is far less, at 3% (RCH) and 5% (SSA).

### Leveraging other assistance

- 2.33 DFID is seen by partners as having an important role to play in overall co-ordination. SWASTH's technical assistance is specifically helping to leverage over £60 million of assistance from the Bill and Melinda Gates Foundation (BMGF) for programmes on family health and tuberculosis. Figure 11 sets out the views of the BMGF Bihar state programme manager, who sees DFID's assistance as essential in enabling BMGF's work. These views were shared by other organisations we met.

### Early days for work with the private sector

- 2.34 Support to the private sector was not a focus for DFID prior to 2010. The Gyan Shala programme (which, at less than £900,000, is far smaller than the other programmes considered here) is specifically a pilot and a focus for research. DFID India reflects that this programme was implemented as a direct result of the Secretary of State calling for the DFID India programme to demonstrate more investment through the private sector. We understand that there had been concerns from the Gol on the implications of DFID beginning to fund private sector schooling. We also heard concerns directly from Indian NGOs that private sector schooling does not serve children who are 'hard to reach'. We are satisfied, however, that DFID India's approach in working with Gyan Shala takes account of such equity issues, not least since the programme specifically works with the 'hard-to-reach' urban poor.

#### Figure 11: The view of the Bill and Melinda Gates Foundation

*'The relationship with DFID is strategic for us. We couldn't do the work that DFID is doing. They are working with government to create the enabling environment for our work to be scaled up.'*

BMGF State Programme Manager

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### Corruption risk and financial oversight of programmes

2.35 The DFID India team had a strong awareness of the issue of corruption. The DFID governance team in Delhi monitors press reporting of corruption cases. We observed that there is a transparent and open dialogue on the issue with partners in Bihar. At a national level, however, there remains a hesitance on the part of DFID to discuss corruption in some of its dealings with GoI. This follows the fallout from a critical World Bank *Detailed Implementation Review*<sup>39</sup> of five World Bank programmes in 2006-07.<sup>40</sup> In our dealings with officials, however, we found openness on the topic and appreciation of the need to reassure the public in the UK. Key staff within GoI, not least senior staff in the Office of the Comptroller and Auditor General and national ministries, told us that they welcomed partnership with the UK on these issues.

2.36 Our assessment is that financial monitoring of the programmes is sufficient and effective:

- in SSA and RCH this takes place in partnership with the World Bank, which takes the lead on oversight and monitoring. Financial contributions from donor partners are fixed in bilateral agreements with the government and are reimbursed against audited approved spending;
- funding for the SWASTH programme is channelled through the central Treasury of India and then to the state (see Figure 7 on page 12) as budget support (so not against audited accounts). Funding is closely monitored by the technical assistance consultants; and
- the Gyan Shala Programme is delivered by a local NGO. Its accounts are subject to audit by the Government of Bihar (for its funding) and by independent auditors (for DFID's funding). We did not examine the former, but the latter

appears effective at identifying issues that need to be resolved.

2.37 During our visit, we examined audit reports in respect of all programmes. We noted a number of examples in the SSA and RCH programmes (where DFID provides funds in arrears) where queries on expenditure had been raised and, as a result, subsequent funding had been withheld. These are referred to as 'retained funds' in Figure 8 on page 13. Examples of the types of queries raised included failure to submit audit responses on time, incorrect accounting procedures followed or areas where auditors had a conflict of interest as they were also the programme accountants. In Bihar, in the case of SWASTH, DFID funds are paid in advance against a proposed programme. We noted that some funds had been committed but remained unspent, pending the creation of appropriate spending and monitoring systems – see Figure 7 on page 12.

2.38 Where issues are identified in audits or where financial monitoring systems are not yet in place, it is a matter for the departments or organisations involved to rectify these if the programme is to receive the retained or unspent funds. If the issues have not been rectified by the end of the financial year, the retained or unspent funds are rolled forward to form part of the following year's budget. This process can be repeated until problems are dealt with, allowing the funds to be released, up to the end of the programme's lifetime. Not all problems do get rectified by this time. If, by the end of the programme, DFID has underspent on the overall allocated funds, the remaining funds are retained by DFID.

2.39 These processes show strong financial control over funds release. Although the amounts retained or unspent can be large, DFID aims to alleviate the causes of keeping back funds in the long term through supporting the development of financial management systems. DFID's audit challenge role is essential and should continue.<sup>41</sup>

2.40 Capacity for financial control still needs to be built. Staff deficits remain. The government has, for

<sup>39</sup> *Detailed Implementation Review: India Health Sector 2006-2007*, World Bank, 2007, [http://siteresources.worldbank.org/INTDOI/Resourses/WB250\\_Vol1\\_Web\\_01150\\_8.pdf](http://siteresources.worldbank.org/INTDOI/Resourses/WB250_Vol1_Web_01150_8.pdf).

<sup>40</sup> As World Bank officials themselves told us, release of this report was poorly handled with a lack of consultation with the Government of India prior to publication causing significant embarrassment.

<sup>41</sup> We looked at different levels of audit, national, state and district, and withholding of funds was a regular occurrence by both governments and donors.

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example, announced that it will fund one accountant for every 50 schools. This requires an additional 1,500 accountants in Bihar alone. We saw that not all financial systems were fully computerised. Bihar has, however, adopted e-transfer of funds within the state, speeding up funds flow and providing greater protection from fraud. In conjunction with the use of specialised accounting software, this is greatly improving the way in which programme finance is being managed at scale. At present, however, the level of bureaucracy from paper systems at local level may well hide fraud or corruption by its sheer complexity.

2.41 Our view is that DFID's levels of oversight and monitoring are commensurate with the risks. DFID India has in place a suite of measures to minimise opportunities for corruption. These include:

- Fiduciary Risk Assessments (FRAs); these reviews are completed during the design of any programme (usually by a credible third party);
- a risk mitigation plan focussing on potential areas of possible leakage. This could include, for example, issues with audit capacity, procurement systems and expenditure frameworks;
- a policy of releasing funds on reimbursement against evidenced expenditure, or against key milestones of performance;
- annual reviews of performance and updates of FRAs;
- use of technical assistance specialists in financial management and monitoring systems, for example development of management and information systems (in RCH and SWASTH);
- active monitoring through DFID staff visits to delivery locations; and
- inclusion of community-based monitoring into programmes (a specific objective of SWASTH).

2.42 It is notable that other donor organisations have similar processes (for instance, FRAs) but the information is not routinely shared among the donor community (either with or by DFID). This is particularly regrettable when DFID is co-funding

with partners. We saw one example of collaboration: in RCH, DFID India collaborated with the main donor (the World Bank) to produce a risk assessment. We expected to see more regular sharing and collaboration by funders around these. This would be beneficial, providing peer review and developing common information and insights. We would not, however, expect this to result in DFID reducing the number of reviews it undertakes.

2.43 DFID India undertakes its own due diligence on partner organisations, usually as part of the FRA process. In the case of Gyan Shala, a much smaller sized programme involving delivery by an Indian NGO, due diligence has to date been carried out by the DFID India office, not by a third party within the FRA as was the case with the other programmes. Whilst this was commensurate with the size and risk of the programme, we would have expected DFID India to use third parties to periodically check its systems are robust for such assessments. We note that an independent audit is now scheduled for September 2012.

2.44 In the case of SSA, the programme is subject to Gol's own oversight arrangements (see Annex for details).

### **How DFID handles the reporting of fraud or possible corruption**

2.45 Any allegations of fraud or possible corruption specific to DFID funds are referred to the DFID Counter Fraud Unit in East Kilbride. In the last three years, a total of six allegations concerning programmes in India have been received and investigated. One allegation is still under investigation, while the other five were closed with no findings of leakage. We think this is likely to be an underreporting of leakage through fraud and corruption.

2.46 One of the reasons why this is likely to be underreported is that DFID has no credible whistle-blowing mechanism. It was not apparent on visits to the field locations in India that any concerns could easily be brought to its attention. It is far more likely that a report would be made to the state institution, for example in Bihar to the state Vigilance Department. It may not be clear, however, to either the reporter or the receiver that

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aid funds from DFID were included, therefore DFID may never be informed.

2.47 By comparison, the World Bank and United Nations organisations operate high-profile 24/7 multi-lingual whistle-blowing lines and web-based e-mail reporting. UNICEF India, for example, told us that it receives on average around eight reports per year alleging some form of irregularity that it then investigates. We think DFID should do more to create a credible whistle-blowing capability.

2.48 We would also have expected DFID (along with similar organisations) in India to maintain contact with national- and state-level law enforcement agencies. In assessing the risks of corruption, donors should consult regularly with these agencies to create more informed judgements on potential loss and prevention actions.

### Impact

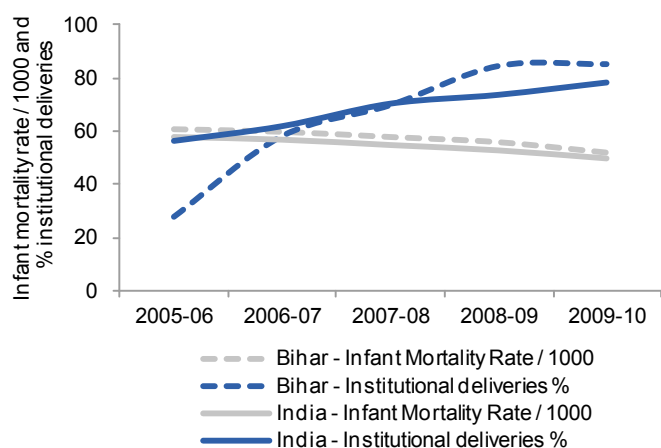
Assessment: Green-Amber GA

2.49 This section considers whether DFID's assistance is delivering benefits within the state of Bihar. It also considers the sustainability of the assistance in light of DFID's other activity in the state.

### Indicators are improving in Bihar

2.50 As Figures 12 and 13 show, Bihar has made significant improvements in health and education indicators since 2005.

**Figure 12: Key health indicators in India and Bihar**

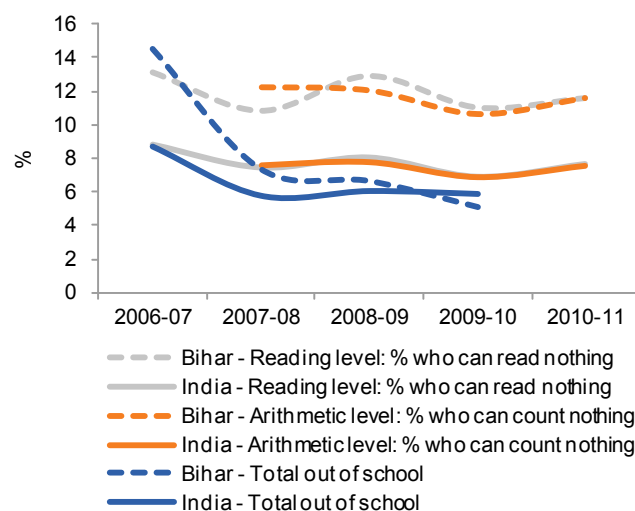


Source: Statistics Division, Ministry of Health and Family Welfare, Finance Department (Government of Bihar), Economic Survey, Government of India

2.51 The rise in institutional deliveries in Bihar (the number of women giving birth in clinics or hospitals) has outstripped India's overall achievement (see Figure 12). This results from the effectiveness of national reproductive health programmes, particularly the Janani Suraksha Yojana (JSY) scheme under the NRHM.<sup>42</sup> This gives cash incentives for women to give birth in health facilities. It also indicates the increasing ability of the health system in Bihar to respond to citizens' needs. DFID does not directly fund the JSY scheme.

2.52 Figure 13 shows that there has been a gradual improvement in educational attainment in Bihar since 2005. At the same time, there has been a rapid decline in the proportion of children out of school, as access to primary schooling has increased.

**Figure 13: Key education indicators in India and Bihar**



Source: ASER of Pratham-ASER, <http://www.asercentre.org>

2.53 The number of girls out of school in Bihar has dropped from 17.6% in 2006 to 4.3% in 2011 according to Pratham's *Annual Status of Education* report. Figure 14 on page 18 shows that the percentage of pupils reaching the last grade of primary school in India rose between 1999 and 2008, with the gap between girls and boys closing.

<sup>42</sup> See *Features and Frequently Asked Questions and Answers*, Janani Suraksha Yojana, October 2006, <http://jknrm.com/PDF/JSR.pdf> for details of the scheme.

## 2 Findings

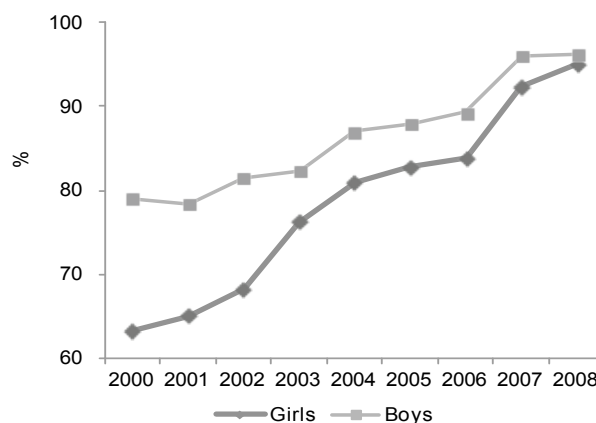
### Impacts directly attributable to DFID

2.54 Where DFID is contributing through a national programme such as RCH and SSA, attributing DFID's individual impact is a challenge. In its work in Bihar, it is easier to attribute specific results. For SWASTH, the following list is not exhaustive but illustrates the range of results directly attributable to DFID:

- we heard evidence from officials in the State Health Society of how DFID assistance was improving the quality of state health plans and planning systems;
- we saw how assistance was ensuring that the measurement and monitoring of indicators were better incorporated into management; we saw how the quality of the JSY scheme was being improved by increasing the oversight and speed of payments to women if they deliver in health facilities;
- we saw how new First Referral Units (FRUs) were being established;<sup>43</sup> and
- we saw how DFID directly funds a skills lab providing training, helping to increase the numbers and skills of birth attendants.

2.55 The targeted nature of the financial assistance under SWASTH and Gyan Shala also enables a clearer attribution of results for these activities. For instance, 1.383 million births were delivered with the help of nurses, midwives and doctors in 2010-11, of which 136,129 (9.8%) were funded by DFID financial support.<sup>44</sup>

Figure 14: Primary school completion rates for India<sup>45</sup>



Source: World Bank data

2.56 We can see that individuals' access to education and health care in Bihar is improving. In addition to the information for the state as a whole, those benefiting from UK assistance in clinics and schools told us they had seen improvements in recent years. We are convinced that DFID has contributed to positive change achieved through the national programmes that work in Bihar (SSA and RCH). DFID, however, needs to represent this impact better. We agree with DFID India's partners, as well as third party experts, who note that DFID's added value is not primarily a result of the size of its financial contributions. Rather, it is the knowledge and expertise that DFID is able to provide, both through its staff and the technical assistance it hires, that then catalyses positive change in service delivery.

<sup>43</sup> First Referral Units (FRUs) are health care facilities that cater to a population of about 600,000 people. These facilities are meant to provide intermediate expert care between the primary health centre and the district hospital. The FRUs have the following departments – consultation, general surgery, obstetrics, paediatrics, anaesthesia, gynaecology, orthopaedics, ENT, radiology, ophthalmology, general medicine, community health, skin and VD/RTI/STI and dental care.

<sup>44</sup> SWASTH Annual Review, DFID, September 2011, <http://projects.dfid.gov.uk/project.aspx?Project=114506>.

<sup>45</sup> The World Bank defines the primary completion rate as 'the percentage of students completing the last year of primary school. It is calculated by taking the total number of students in the last grade of primary school, minus the number of repeaters in that grade, divided by the total number of children of official graduation age.' (The World Bank using United Nations Education, Scientific and Cultural Organization Institute for Statistics), <http://data.worldbank.org/indicator/SE.PRM.CMPT.ZS>.

## 2 Findings

### DFID's economic assessments

2.57 When the three large programmes (RCH, SSA and SWASTH) were approved, DFID documentation shows that the case for funding was made in terms of their economic rate of return.<sup>46</sup> DFID does not, however, routinely measure such economic returns subsequently. Indeed, in practice, little weight is placed on such assessments. This is perhaps because they are dependent on too many assumptions to be meaningful.

2.58 DFID's new business case format moves towards a clearer statement of value for money but this was not used for the three largest of the programmes under review here. We did, however, see value for money studies on health and education that have been commissioned by DFID India. One of the authors of the value for money study for education has reported to IDC that there was a 'positive and robust rate of return on DFID's investment' in SSA 'in the order of 12% to 14.4%'.<sup>47</sup> This implies that DFID's work in Bihar does provide value for money (in terms of rate of return at least). We are concerned, however, that these assessments are based on many assumptions. DFID does not yet have corporate standards for assessing value for money of either health or education programmes. Until these are in place, it is not possible to make definitive judgements on the DFID India programme in general and its work in Bihar in particular.

### The sustainability of results to date

2.59 DFID has yet to clarify its objectives for, or the level of, assistance after 2015. Current plans state that UK support for SSA will end in 2013, after which DFID will support a national secondary education programme until 2015. There are no plans to fund RCH after 2012. DFID expects that the lessons learned under Gyan Shala may be

taken to scale by other funders after 2013 at the end of the programme period. DFID has yet to define a clear exit strategy for the technical assistance or how the state will replace the capacity it provides after 2015.

2.60 Our view, however, is that it is more likely than not that the overall improvements to education and health in Bihar will be sustainable. We conclude this given the national- and state-level political commitments to improving service delivery, the track record to date and the increase in domestic spending. DFID's programme in Bihar may be too dependent on the political leadership of the Chief Minister. One of our interviewees, however, noted that 'the genie is out of the bottle': national and local social changes (e.g. the Right to Information Act and access to information through the media) have made service delivery a political issue unlike at any previous time. We agree with this. Citizens are now demanding reforms in a way they have not done previously.

2.61 We note that DFID's investment in Bihar (for instance in school construction) is complemented by processes that improve maintenance and upkeep. These include the involvement of communities and beneficiaries in ensuring that facilities are maintained (an element of the SSA programme and SWASTH).

### Learning

Assessment: Green 

2.62 This section considers whether there are appropriate mechanisms in place for monitoring. It assesses whether programmes are innovative and looks at whether and how DFID learns lessons.

2.63 We saw multiple layers of monitoring and review used by DFID. For NRHM as a whole, a Common Review Mechanism takes place annually. Joint Review Mechanisms for RCH and SSA take place every six months. These reviews are important and effective. Representatives from funders and government-appointed independent specialists visit multiple states simultaneously to assess whether the programmes are delivering results. They consider achievements against comprehensive monitoring matrices, as well as delivery systems, financial management and oversight. While some

<sup>46</sup> DFID defines the economic rate of return as the 'interest rate which discounts the flow over time of costs and benefits of a project, such that the discounted costs and benefits are equal'. In other words what the gain to the economy will be over the time of the investment made. See *Glossary of Development Terms and Abbreviations*, [http://webarchive.nationalarchives.gov.uk/+http://www.dfid.gov.uk/aboutdfid/files/glossary\\_e.htm](http://webarchive.nationalarchives.gov.uk/+http://www.dfid.gov.uk/aboutdfid/files/glossary_e.htm).

<sup>47</sup> *The Future of DFID's Programme in India*, International Development Committee, House of Commons HC616, June 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/616/616.pdf>.



## 2 Findings

states are aware in advance that they will be reviewed, others are informed only at short notice.

- 2.64 Joint and common review teams visit local facilities and administrative offices and then collate findings. These are then presented to the national departments responsible for the programmes. States are held to account for responding to the review findings by each programme's sponsoring ministry at national level. DFID advisers and management staff participate in all reviews. DFID staff and partners note that these mechanisms are key to ensuring that funders are close to programme delivery and are able to influence its implementation. Partners we interviewed were particularly appreciative of the technical skills and insights that DFID staff bring to these reviews. All reviews are made available on the internet.<sup>48</sup>
- 2.65 In addition to these joint monitoring mechanisms, all DFID activities (including RCH and SSA) are subject to internal annual review. SWASTH has an annual review undertaken by DFID as well as periodic assessments from third party experts funded by DFID. Gyan Shala will also be subject to an independent mid-term review.
- 2.66 Programmes also have more continuous monitoring mechanisms. In the case of RCH, this focusses heavily on monitoring inputs, processes and outputs through management information systems at sub-district, district, state and national levels. These results are used for mid-course corrections, estimates of physical and financial progress and measurement of progress against outcome indicators in the results framework.
- 2.67 Each of the programmes contained elements that were innovative. For instance RCH is improving access to antenatal care and developing new approaches to safe deliveries and institutional births. Innovations to increase the reach and quality of services included partnerships with private providers, providing referral transport and mobile services. The programme has also

developed incentives for staff to serve in remote areas. A systematic desk review of innovations has been carried out by DFID at the national level, to be followed by an in-depth field review of 'promising' innovations that can be scaled up or adopted across states.<sup>49</sup>

- 2.68 DFID India's size and skill level means that it has often been the source of new ideas within DFID. For instance, in the past, it has pioneered thinking on new approaches to evaluation. DFID in Delhi is currently home to the South Asia Research Hub that sponsors research and seeks to increase learning across the region. DFID invests in knowledge and research in India. We saw that DFID staff use this information to inform decisions and programme design. In India generally and in Bihar in particular, there is a wealth of knowledge and research into both health and education. We saw multiple examples of the dissemination of best practice by national government departments, donors, research institutions and sub-contractors.
- 2.69 In Bihar, we would expect there to be closer strategic co-operation between departments that are in partnership with the SWASTH programme than we saw. We did, however, see evidence of this at the level of service delivery, largely driven through the DFID-supported technical assistance. From the field visits, it is also evident that this team has close relationships with development partners in the state. As a result, there is an effective flow of information, best practice and sharing of learning across a wide variety of partners and peer organisations.

<sup>48</sup> For SSA see <http://ssa.nic.in/monitoring/joint-review-mission-ssa-1/joint-review-mission-ssa>. The most recent JRM is <http://ssa.nic.in/ssadoc/jrm/AIDE%20MEMOIRE%2011%20JRM%20with%20state%20reportss.pdf>. For previous Common Review Missions of NHRM see [http://mohfw.nic.in/NRHM/CRM/CRM\\_files/Introduction.htm](http://mohfw.nic.in/NRHM/CRM/CRM_files/Introduction.htm). For previous JRMs of RCH, <http://202.71.128.172/nihfw/nchrc/index.php?q=content/government-report-sixth-joint-review-mission-jrm-6-reproductive-and-child-health-program-pha>.

<sup>49</sup> *Six Interventions Implemented by the Government of Madhya Pradesh with Technical Assistance*, DFID, September 2010. See *Directory of Innovations in the Health Sector*, DFID and Ministry of Health and Family Welfare, December 2008, [http://mohfw.nic.in/NRHM/Documents/dfid\\_directory\\_of\\_innovations\\_march.pdf](http://mohfw.nic.in/NRHM/Documents/dfid_directory_of_innovations_march.pdf).



# 3 Conclusions and Recommendations

## Conclusions

- 3.1 DFID's decision to work in Bihar is well judged. DFID has supported change in Bihar that is backed by strong political commitment. This has increased the likelihood of its programmes being a success. DFID has a clear theory of change. It aims to improve educational and health outcomes by strengthening oversight, increasing access and improving the quality of services. It has a good view of the challenges at all levels.
- 3.2 DFID has yet to clarify its forward plans for work in India after 2014-15. We are concerned that, if this lack of clarity continues, it will hamper future success.
- 3.3 The evidence suggests that DFID has made a positive contribution to improvements in health and education. It is easier to identify DFID's direct impacts where it has provided technical assistance support than it is to attribute particular results from pooled funding. This is inevitable when DFID is only providing a very small proportion of overall finance. We are not convinced, however, that DFID can only have influence if it is seen to provide large sums of finance at the same time. We believe that DFID should consider spending a greater proportion of its finance to India on technical assistance.
- 3.4 DFID's particular contributions to improving development in India are its knowledge, skills, networks and its critical yet supportive approach. DFID's partners in India consistently pointed out that the UK's support was valued for more than its technical capacities. In the words of a senior official in the national government, 'it isn't just about shared objectives or knowledge the UK provides, but shared conviction'. In the case of SWASTH, the increased emphasis on technical assistance seems justified.
- 3.5 DFID's small contributions relative to total education expenditure in India are in contrast to East Africa, where DFID's overall share is much greater. In East Africa, DFID has focussed on expanding access to basic education, with a lack of attention to learning outcomes and to the trade-off between increasing access and ensuring quality. As a result, the quality of education being provided

to children there is so low that a large majority is failing to achieve basic literacy and numeracy. This contrasts with DFID's approach in India, where it has adopted a more balanced set of objectives sooner, contributing to improvements in quality as well as access.

- 3.6 A key factor in DFID's success in Bihar (and in the national programmes implemented in the state) is the quality and range of the relationships that it maintains. Having so many senior staff in the DFID India office who are either Indian or have deep local knowledge is critical to its success. The work of the SWASTH technical consultants, coupled with the work of the DFID state programme manager and regular visits from DFID staff, enable up-to-date knowledge and the ability to exert influence. The joint review mechanisms are also highly effective at enabling DFID to affect the operation of RCH and SSA. DFID needs routinely to capture, assess and report the impact of such influence.
- 3.7 DFID India has a good awareness of corruption issues and has made appropriate programme choices in the light of that awareness. We noted, however, that DFID India had not yet put in place a corruption strategy, although one was in preparation. As we highlighted in our report on DFID's approach to anti-corruption, DFID should now be bolder in discussing corruption with its partners at national level (as it does in Bihar) and, in common with other country offices, DFID India needs an explicit anti-corruption strategy.
- 3.8 DFID's partnership with India enters a new phase after 2015 as the country increasingly graduates from aid. DFID has not yet defined what this will mean, either nationally or in Bihar. Greater clarity is needed on future plans.

## Recommendations

- 3.9 The following recommendations are made with the awareness that three of four programmes reviewed in Bihar end in either 2012 or 2013.

**Recommendation 1: Beginning with its work in Bihar in education and health, DFID should clearly identify and monitor what are the**

### 3 Conclusions and Recommendations

**particular benefits provided by UK aid in order to focus its activities where it adds most value.**

3.10 We think that DFID is achieving much that it is not capturing. While programme monitoring does include quality measures (for instance educational outcomes) most indicators relate to how many people are accessing services, not the quality of service they receive. At the same time, DFID is not identifying clearly how it provides knowledge and influences partners in order to further improve overall outcomes. DFID does not have a clear approach to capturing these key activities of its staff or consultants. As a result, it is not able to represent clearly all of what it is really achieving. We support efforts underway to capture all results achieved by DFID India. The new results tracking tool should not only capture project or programme-level results but the totality of what is actually being done by DFID staff.

**Recommendation 2: DFID should clarify its forward strategy in Bihar to enable delivery partners to plan sustainable programmes for the future.**

3.11 We are concerned that DFID has not clearly shared with partners what its plans are for after 2015. SWASTH is planned to continue to 2016 as part of the expected rapid reduction in the quantum of DFID's overall assistance to India. The Government of Bihar in particular should be informed by the end of 2012 whether and how DFID plans to continue assistance in the future. SWASTH and the Bihar Technical Assistance Support Team have considerable reach into several departments and clarity will enable better planning.

**Recommendation 3: DFID should increase even further the contribution it makes through technical assistance in India, which transfers skills and knowledge, because this is where it adds most value.**

3.12 We are convinced that the UK's particular contribution to Indian development is primarily knowledge and skills, not finance. DFID has proven it is able to deliver high quality support through its staff and consultants. DFID's skills and influence are valued by recipients and peer

organisations. The focus of DFID's effort and finance should be in these areas.

**Recommendation 4: DFID's planned anti-corruption strategy should include strengthening ties with local law enforcement bodies and establishing a whistle-blower hotline.**

3.13 DFID needs to be more explicit about its approach to corruption. The new strategy should include consulting with donor partners and with Indian law enforcement in undertaking their corruption risk assessment processes. Third party agencies should periodically check in-house due diligence systems for robustness. DFID should also consider recruiting a law enforcement adviser to strengthen its risk assessment process and improve networking with law enforcement agencies. DFID should create a new global whistle-blowing system to ensure reports of potential corruption affecting programmes can be properly reported and investigated. Lastly, in the event of the programmes being ended in the next few years the corruption risk affecting that process should be reassessed.

# Annex

## Summary of financial management arrangements for the SSA education programme

1. This section provides more detail on how financial management and oversight of the national education programme SSA takes place.

### Overview

2. SSA is a partnership between Gol and the state government and three donor partners: the World Bank, European Union and DFID. Around 90% of the programme is funded from India's own resources, with the balance being provided by the donor partners.
3. DFID spent £210 million of UK aid in the first phase of SSA (2004-06), £150 million in the second phase (2007-10) and have further extended support until 2013 with £149 million. DFID's contribution to SSA is through non-budgetary Financial Aid (FA) and Technical Co-operation (TC). The total UK aid commitment for SSA is £509 million over a period of ten years from 2003-13 (£495 million for FA and £14 million for TC). Figure A1 on page 24 illustrates how UK funds channelled through the national education programme SSA are spent in Bihar state.
4. All financial contributions from donor partners are set in bilateral agreements with Gol and are paid on reimbursement, for example against audited approved spending. The World Bank is the lead partner with 60% of the contribution, followed by DFID with 30% and the European Union with 10%. The World Bank, being the major donor, leads on all monitoring and evaluation initiatives, including finance and procurement management.

### Financial management and monitoring

5. SSA is a Gol-wide project. As such, it is subject to Gol's own oversight arrangements:
  - all systems are set out in the Gol Financial Management and Procurement Manual which has been in effect since 2004 and is applicable to the entire programme across all states;
  - Gol conducts quarterly review meetings of financial controllers of states;

- issues regarding audit observations, financial performance, training, staffing and internal audit are discussed in these reviews and actions agreed; reports of these meetings are published on Gol's SSA website;
- Gol has identified and appointed monitoring institutions in all 35 states and union territories. These are independent professionally qualified organisations, usually accountancy firms;
- monitoring institutions carry out six-monthly reviews of expenditure and their reports are submitted to Gol and state implementing agencies;
- Joint Review Mechanisms (JRMs) – Gol and donors jointly conduct field review missions twice a year, in January and July. These JRMs are staffed by appropriate experts across education, financial management, procurement and civil work. They include specific questions on corruption and visit various locations;
- internal audits have been outsourced to independent firms by many states and guidelines for the audit have been issued regarding co-ordination between multiple auditors;
- external audits – auditors empanelled by the Comptroller and Auditor General (CAG) of India are used for SSA audits. Audits are performed at state, district and sub-district levels and Gol has also introduced an additional layer of audit at village level wherever payments exceed approx. £1,250 per annum; and
- the Institute of Public Auditors of India (IPAI) supplements the external audit process with financial management reviews on a sample basis. The entire programme is subject to a periodic review by the CAG.

### DFID and donor partner management and monitoring

6. DFID India and the other donor partners perform their own additional oversights:
  - DFID India and other donors jointly monitor SSA's financial management systems based on the review of Gol's financial management reports, audit reports, JRM documentation and

# Annex

audit reports produced by the IPAI. The main platform for reviewing and discussing these documents is the six-monthly JRMs; and

- Gol provides six-monthly financial management reviews to donors and eligible expenditure for reimbursement is calculated based on these reports. Any disparity between the expenditure statements and audited statements is disallowed from the calculation of expenditure eligible for reimbursement.

**Figure A1: Sarva Shiksha Abhiyan spending in Bihar 2008-11**

The following illustrates how UK funds channelled through the national education programme SSA are spent in Bihar state.

Activity	Total SSA expenditure (£ million)	DFID's attributed share (£ million)
New primary school	375.57	6.47
Civil works	362.59	6.21
Free textbooks	52.70	0.94
Toilets, drinking water	50.27	0.89
Kasturbai Gandhi Blika Vidyalaya – residential schools for girls	34.46	0.61
School grants	19.47	0.34
Management and management information system	14.99	0.26
Free uniforms	15.62	0.25
Maintenance grants	13.65	0.24
Teacher training	12.07	0.22
National Programme for Girls at Elementary Level	6.71	0.12
Innovative activities	6.24	0.11
Teachers' learning and enhancement	6.17	0.11
Remedial teaching	5.53	0.11
Interventions for disabled children	5.86	0.10
Teacher grants	5.73	0.10
Research and evaluation	2.88	0.05
Learning enhancement programme	3.12	0.05
Cluster resource centre	2.36	0.04
School library	1.87	0.03
Block resource centre	1.18	0.02
Community mobilisation	1.19	0.02
Escorts taking children to school	1.25	0.02
<b>Total</b>	<b>1,001.50</b>	<b>17.31</b>

Source: Data has been extrapolated from *Sarva Shiksha Abhiyan*, Ministry of Human Resource Development – Department of School Education and Literacy, Government of India, <http://ssa.nic.in>, Financial Management Reports 2008-2011

# Abbreviations

ASER	Annual Status of Education Report
BMGF	Bill and Melinda Gates Foundation
CAG	Comptroller and Auditor General
CBI	Central Bureau of Investigation
DFID	Department for International Development
EAG	Empowered Action Group
FA	Financial Aid
FRA	Fiduciary Risk Assessment
FRU	First Referral Unit
GoI	Government of India
IDC	International Development Committee
IPAI	Institute for Public Auditors of India
JRM	Joint Review Mechanism
JSY	Janani Suraksha Yojana Scheme
MDG	Millennium Development Goal
NCERT	National Council for Educational Research and Training
NGO	Non-Governmental Organisation
NRHM	National Rural Health Mission
RCH	Reproductive and Child Health Programme
SSA	Sarva Shiksha Abhiyan
SWASTH	Sector Wide Approach to Strengthening Health
TC	Technical Co-operation

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