

## UK Aid to India

Jayati Ghosh

Not too many tears may be shed in India on the announcement that [Greening has now announced the end to UK aid to India in 2015](#), as the question is increasingly being asked within India: should the country continue to take such aid?

An online poll on this website had asked readers to vote on this, offering various choices (yes/no/maybe/partly) on the basis of different approaches. Like many voting choices, this one is actually quite complicated. The problem is that the reasons provided for any of these choices are partly true, but also partly off-track!

Consider the argument for eliminating aid, which is couched in terms of the growing wealth and economic clout of India. “India is a rapidly growing economy with its own space programme” – so presumably, if the government can put resources aside for investment as large as that required for going into space, the country can afford to finance its own development and poverty reduction programmes. It is absolutely true that the continuing squalor and economic degradation of around half of the Indian population really need not exist. Certainly, the internal political economy of India remains the biggest obstacle towards achieving the MDGs or reducing poverty and ensuring universal access to basic needs for the population. More progressive fiscal policies that raise taxes from the rich to ensure the basic needs of the people are obviously both necessary and possible, as well as strategies that encourage more productive employment and economic diversification.

But then consider the alternative and opposite option for maintaining or even increasing aid: “India is still grappling with major development issues and is home to many of the world's poor people”. There is no question that is only too true. But then consider the role of UK development aid in dealing with this. The amount – around GBP 280 million per year – really is [“peanuts”, as former Finance Minister and current President of India Pranab Mukherjee described it](#). It comes to less than 0.03 per cent of India's national income. It is less than 2 per cent of what the central government spends on the food subsidy and rural employment programmes, not to mention the other basic livelihood and anti-poverty programmes of both central and state governments.

If the amount involved is so small, then the focus obviously must be on the quality and effectiveness of the aid. Is it a catalyst for positive change that extends beyond the specific projects on the ground? Does it bring in the desired expertise, knowledge and access that would otherwise be missing within India? Is it directly relevant to particular development concerns in filling gaps that are evident in official or other local spending? On all these questions, the answers are – sad to say – mostly negative. It is not that there are no minor successes, but in general the nature of the spending has not been such that it would really be missed if it disappeared, other than for a few former beneficiary partners. And in the past some British aid with its [policy emphasis on privatisation](#) has been downright harmful, [encouraging some state governments like Andhra Pradesh policies](#) that they have subsequently regretted.

What about the “maybe” option? This related more to British interests rather than Indian concerns, arguing that “Aid to India is a political tool and supports Britain's strategic interests”. Again, this is undeniable, even if it is regularly denied by some official spokespersons. But here a lot of other factors come into play, including attitudes to the aid on both sides. [Public opinion in India was appalled recently](#), when the decision of the Indian government to purchase fighter jets from France rather than the UK (after a global tendering process) was decried in the British media as “ingratitude” given the UK’s foreign aid to India.

The blatant expectation of such “quid pro quo” is something that obviously defeats all the pious declarations of aid being proffered in the name of a common humanity. But it also acts against the UK’s own diplomatic interests, by alienating those who are supposed to be won over by such expressions of “soft power”. This kind of attitude simply does not work anymore, not just in India, but in any developing country, especially in a rapidly changing world where other countries are more able to offer assistance without such patronising terms.

In any case, the crucial issue is the contribution that is made to India’s development process – and this is really not about aid but trade and investment patterns, where the news is not good. Minute dribbles of UK aid cannot hope to work any PR magic within India when the same UK government is seen trying to bully the Indian government into accepting completely [unjustifiable intellectual property clauses that will increase essential drug prices in a trade agreement](#), or [pushing the interests of its own companies in getting extra protection and compensation in the face of laws that protect Indian citizens who are adversely affected by the investments](#), or indulging in protectionist practices against Indian exports.

And so on to the final option in the Guardian poll, that some cuts are justified because UK aid should be “better targeted to achieve results, and only eliminated gradually with an 'exit strategy’”. This is probably true, but first the desired results themselves have to be more clearly stated. At the moment, the goals are all relatively ill-defined, and so it is not surprising that the bits of aid that come in are used all over the place, often in not very effective ways, and overall not taken very seriously in the development discourse within the country. Even an exit strategy requires a clear conception of what you intend to leave behind.

At all levels, therefore, it seems that those concerned with development aid in the UK have a lot of thinking to do – not just with respect to India, but all recipient countries.

\* This article was originally published in the Poverty Matters Blog, the Guardian on November 9, 2012.