

**EVALUATION OF THE EUROPEAN
COMMISSION'S SUPPORT TO**

THE REPUBLIC OF INDIA

Final Report

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The opinions expressed in this document represent the authors' points of view, which are not necessarily shared by the European Commission.

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List of acronyms

| | |
|-----------|--|
| AIE | Alternative and Innovative Education |
| ASHA | Accredited Social Health Activist |
| BAIF | Bhartiya Agro Industry Foundation |
| BCG | Bacille Calmette Guérin, a vaccination against tuberculosis |
| BPL | Below Poverty Line |
| CAP | Common Agriculture Policy |
| CBO | Community-based Organisation |
| CCPR (OP) | Covenant on Civil and Political Rights (-Optional Protocol) |
| CDMO | Chief District Medical Officer |
| CDR | Crude Death Rate |
| CEA | Country Environmental Analyses |
| CECCI | Council of European Union Chambers of Commerce in India |
| CEDAW | Convention on the Elimination of All Forms of Discrimination against Women |
| CEP | Country Environmental Profile |
| CHW | Community Health Worker |
| CMNR | Community Management of Natural Resources |
| CoA | Court of Auditors |
| CPI | Corruption Perception Index |
| CRIS | Central Relex Information System |
| CSE | Centre for Science and Environment |
| CSO | Civil Society Organisation |
| CSP | Country Strategy Paper |
| CSS | Centrally-sponsored Schemes |
| DAC | Development Assistance Committee (OECD) |
| DAP | District Action Plan |
| DFID | Department for International Development (UK) |
| DIET | District Institutes of Education and Training |
| DISE | District Information System for Education |
| DMO | District Medical Officer |
| DOTS | Directly Observed Therapy Short-course (TB Strategy) |
| DPEP | District and Primary Education Programme |
| DPT3 | Diphtheria, Pertussis and Tetanus |
| EAG | Empowered Action Group |
| EBIC | European Business Information Centre |
| EC | European Commission |
| EC HQ | European Commission Head Quarters |
| ECTA | European Commission Technical Assistance (EC health programme) |
| EDI | Electronic Data Interchange |
| EFA | Education for All |
| EGS | Education Guarantee Schemes |
| EQ | Evaluation Question |
| EQCI | Evaluation questions, judgment criteria and indicators |
| FA | Financing Agreement |
| FD | Forestry Department |
| GDN | Global Development Network |
| GDP | Gross Domestic Product |
| GoAP | Government of Andhra Pradesh |
| GoI | Government of India |
| GoO | Government of Orissa |
| GSP | General System of Preferences |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit |
| HCFP | Haryana Community Forestry Project |
| HDI | Human Development Index |
| HepB3 | Hepatitis B |
| HFWSP | Health and Family Welfare Sector Programme |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome |
| ICRIER | Indian Council for Research on International Economic Relations |
| ICT | Information and Communication Technology |
| IMF | International Monetary Fund |
| IMR | Infant Mortality Rate |

| | |
|--------|---|
| JMM | Joint Monitoring Mission |
| JNPT | Jawaharlal Nehru Port Trust |
| JWG | Joint Working Group |
| KFW | Kreditanstalt für Wiederaufbau |
| KMIP | Kerala Minor Irrigation Project |
| LENPA | Learning Network on Programme-Based Approaches |
| LSA | Lok Sampark Abhiyan |
| M&E | Monitoring and Evaluation |
| MDG | Millennium Development Goals |
| MMR | Maternal Mortality Ratio |
| MoU | Memorandum of Understanding |
| MWC | Protection of the Rights of All Migrant Workers and Members of their Families |
| NEPAD | New Partnership for Africa's Development |
| NFWP | National Family Welfare Programme |
| NGO | Non-Governmental Organisation |
| NHRC | National Human Rights Commission |
| NRHM | National Rural Health Mission |
| NRM | Natural Resource Management |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Co-operation and Development |
| PESLE | Programme for Enrichment of School-level Education |
| PMU | Project Monitoring Unit |
| POTA | Prevention of Terrorism Act |
| PPP | Purchasing Power Parity |
| PRI | Panchayati Raj Institution |
| PROBE | Public Report on Basic Education |
| PROD | Policy Reforms Options Database |
| PRSP | Poverty Reduction Strategy Paper |
| PTA | Parent Teacher Association |
| RCH | Reproductive and Child Health |
| ROM | Results-oriented Monitoring |
| SAARC | South Asian Association of Regional Co-operation |
| SAP | State Action Plan |
| SC | Scheduled Caste |
| SCALE | Sustainable Community-based Approaches for Livelihood Enhancement |
| SEA | Strategic Environmental Assessment |
| SAFTA | South Asian Free Trade Area |
| SHG | Self-help Group |
| SIP | Sector Investment Programme |
| SPP | State Partnership Programme |
| SPS | Sanitary and Phytosanitary Standards |
| SSA | Sarva Shiksha Abhiyan |
| ST | Scheduled Tribe |
| SWAp | Sector-wide Approach |
| TA | Technical Assistance |
| TB | Tuberculosis |
| TIDP | Trade and Investment Development Programme |
| TLM | Teaching and Learning Material |
| UK | United Kingdom |
| UNDP | United Nations Development Programme |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children's Fund |
| UPA | United Progressive Alliance |
| WB | World Bank |
| WHO | World Health Organisation |

1. EXECUTIVE SUMMARY

Background and purpose of the evaluation

The European Commission applies systematic and timely evaluations as a means of accounting to the European Parliament, the European Council and the wider public for the proper management of allocated development funds. Regular evaluations show the quality of the EC's development activities with respect to a number of internationally-acknowledged criteria. The evaluations are also used to draw lessons from past activities for the improvement of current and future programmes, and in order to promote continuous institutional learning and quality management.

The relationship between the European Union and India took root in 1963, when India was among the first developing countries to establish diplomatic relations with the European Economic Community. Over the years, India and the EU have developed a close relationship that covers key areas such as political relations, trade and investment, economic and development co-operation, and cultural exchanges. Strategic objectives of the co-operation were primarily defined through a set of co-operation agreements in the early years and through a Country Strategy Paper and subsequent EC Communications in the later years.

Methodology

The evaluation went through three stages: 1) A desk phase to reconstruct the intervention logic of the EC, to formulate appropriate evaluation questions, judgment criteria and indicators, to collect information through interviews and document analysis. This was done in close collaboration with the Evaluation Reference Group which included important stakeholders, including the Government of India and the EC Delegation; 2) A field phase, during which the evaluation team worked intensively in India, conducted interviews and collected additional documentation; and; 3) A reporting phase.

The evaluation questions were based on the DAC criteria of relevance, effectiveness, efficiency, impact and sustainability, the 3 Cs of European policy (co-ordination, coherence, complementarity) and cross-cutting issues (gender, governance and environment). Data collection during the desk- and field-phases was guided by the judgment criteria and indicators for each evaluation question. During the desk phase, the evaluation team analysed strategic and operational documents, as well as conducted interviews with key EC staff in Brussels and key stakeholders in Delhi and in Brussels, including the Reference Group. The field work took place in Delhi, Rajasthan, Gujarat, Maharashtra, Haryana and Chhattisgarh. Annex 2 provides information on persons met during both phases. The mutually agreed evaluation questions thus assisted in structuring the evaluation, the findings of which are presented below.

Analysis and main findings for Evaluation Questions (EQs)

EQ 1: Alignment and Relevance (p. 28):

The EC has been a pioneer among development partners in aligning its assistance and acting as a catalyst for others to follow. This early alignment of the EC's assistance to domestic procedures, policies and plans has increased Indian ownership of and commitment to EC support and has ensured its overall relevance. The EC was able to enter into an early policy dialogue with GoI on sector-wide reforms with potentially far more impact than individual projects or programmes would have allowed for. The stronger alignment to government structures has also enabled comparatively speedy implementation and increased predictability of the assistance. It has also meant that the programmes supported are primarily those of GoI and the challenge thus becomes how best to influence the way government designs and implements these programmes. However, alignment of technical assistance to domestic procurement and management structures has been more limited, and detracted from EC's ability to pursue a more effective and proactive partnering with GoI.

EQ 2: Access to and Quality of Education (p. 32):

Both of the EC-supported education programmes (DPEP and SSA) have focused on the delivery of inputs and pedagogical renewal. Overall, school enrolment in India has increased during the period of EC support to the education sector. Enrolment and access have also improved in EC-supported districts, but less than is generally acknowledged and without significant improvements in gender disparities, as compared to districts not benefiting from support from the EC. The main impediment to achieving greater impact has been the limited progress in improving the accountability of service providers, resulting in weak governance outcomes, such as teacher absenteeism and the associated lack of teaching activity in the schools. Partly as a result, the flight to private schools has accelerated. Most recent data (GoI, DISE) suggest that enrolment in public schools is now stagnant, whereas the private sector (both in rural and urban areas) has grown by approximately 15% annually. Efforts to address these accountability weaknesses have hitherto been insufficient and have been accorded insufficient priority. Strengthening of demand-side flexibility and choice has generally not been promoted by either the EC or GoI, despite clear indications that this could improve accountability.

EQ 3 and 4: Promoting of Pro-Poor Health Services (p. 37):

The EC support to the Health and Family Welfare Sector Programme (HFWSP) has been successful in assisting the decentralisation of State and District health services. It has also made a significant contribution to policy formulation as is reflected in the new national health policy, which has good potential to address the health of the poorest segments in society. However, very little attention has been paid to explicit pro-poor planning of interventions. In addition, interventions have been limited to medical services. The assumption made by the programme that public medical services will be, by definition, pro-poor is questionable, especially in areas suffering from governance problems affecting the delivery of public medical services. Nevertheless, the current attention by GoI and development partners on district health services has provided a basis for further development of *public health* governance beyond the provision of medical services.

The HFWSP's investment in roles and functions of health authorities and in physical facilities has probably improved the performance of health facilities that were previously often seriously dilapidated. At the same time, the current health management information system cannot provide data on the poverty orientation of the health services provided by these strengthened and renovated health centres. It is therefore unclear if these facilities are addressing previously unmet health needs or if they are simply competing with health services offered by the vast private sector. The HFWSD programme should have addressed this shortcoming and should have introduced "pro-poor" monitoring, to determine to what extent the investments are benefiting the poorest of the poor.

While significant progress has been made in capacity development, key governance problems in the public provision of health services have not yet been addressed effectively, in particular in poorer states. This remains a key challenge for future co-operation.

EQ 5: Trade and Economic Co-operation (p. 43):

The global trade and investment policies of India and the EU (including GSP) have, over the evaluation period, allowed for drastic increases in bilateral trade and investment volumes. This has had a tremendously positive impact for EU and Indian businesses and consumers and has played an important part in raising economic growth rates. Sustaining these high growth rates is a key prerequisite for effective and sustainable poverty reduction.

The EC-funded projects and programmes in this sector have generally been relevant at design stage, but were affected by procedural and administrative delays, which reduced relevance and impact. Improved performance of more recent projects suggests that these constraints are being addressed. More recent programmes and projects to promote cross-cultural economic co-operation and academic/scientific exchanges are highly appropriate responses to the increasing diversity and maturity of EU-India relations. These interventions have the potential for high and

sustainable visibility. They are consistent with the recent upgrading of the EC partnership with India and represent an appropriate translation of its intentions into concrete actions.

EQ 6: Balancing environment and economic development (p.46):

The EC's contribution to balancing India's environmental concerns with the need for accelerated development is limited. Despite positive results of some of the EC-financed projects in natural resource management, rural development and agriculture, the impact of these projects is small compared to the scale of the environmental and social challenges that India faces. The upscaling of project results and channelling of lessons learned into policy-making and programming of follow-up projects was generally not achieved.

The more recent focus on mainstreaming has remained an aspiration rather than a reality. There are examples of potential synergies between, for example, the health sector programmes and environment (e.g. on public health) that are only now being discussed. Although EC-Indian political dialogue addresses environmental challenges at the highest level, the follow-up at country level with concrete initiatives is only beginning.

EQ7: Support to Governance (p.50):

The progressive move to sector approaches, including budget support, has helped to avoid negative consequences of projectised aid on governance structures in India. Thereby, the EC has created the potential for strengthening domestic accountability structures and has entered into a close co-operation with its development partners, including GoI. In this area, the EC has had a pioneering role and has established an appropriate platform for strategic dialoguing with GoI and other partners on governance and other thematic issues.

Notwithstanding the overall positive assessment of the EC support to the education and health sectors, this sector-specific support has not contributed significantly to the ongoing political, administrative and financial decentralisation and devolution of powers to the Panchayati Raj Institutions as locally-elected bodies. This also reflects difficulties of GoI in advancing the devolution of powers, functions, etc. from central line departments to locally-elected bodies for self-governance. At the same time, the EC has so far not included the subject in its policy dialogue with GoI, which has reduced the relevance of EC support to the decentralisation agenda of GoI and the coherence with the EC's own objectives to support devolution of powers and management functions.

EQ 8: Co-ordination, Coherence and Complementarity (p.46):

The EC has progressively enhanced its efforts to promote complementarity and has deliberately exited from the rural development sector after carefully analysing its option for adding value with its support. In the sector programmes, the EC has developed capacities within specific areas, which complement those of other partners and have ensured close co-ordination and ownership by GoI. The complementarity of interventions funded by thematic budget lines could have been improved. Efforts to address this issue are underway, but the modalities by which projects funded by budget lines may limit the degree to which greater complementarity can be expected.

Coherence with the EC's global policies on governance and efforts made in India still leave room for improvements, in particular regarding the analysis of governance issues and policy dialogue with development partners. Finding appropriate direct interventions for addressing these governance bottlenecks will remain a significant challenge for all development partners.

Main conclusions

Overall Conclusions: Poverty Reduction, Trade and Economic Co-operation (p.59):

The shift to sector support in education and health (EQ 2-4) facilitated a qualitative improvement in the ongoing dialogue on development co-operation between the EC and India. The project-based approach was gradually replaced with a far more substantive and strategic process, in which sector policies and more systemic issues took the centre stage. This has clearly improved the potential for addressing the fundamental causes of poverty and slow social development in

India. However, a shortage of methodologically robust impact evaluations that compare the situation with EC support to the situation without makes it difficult to ultimately assess the impact of EC support on the reduction of poverty, which in turn also limits the information available to policymakers on the aid effectiveness. Existing evidence suggests relatively limited pro-poor impact of sector support in education, but probably more successful in the health sector. More drastic improvements are often hampered by instances of weak incentives and limited accountability of service providers, primarily at the local level, that the current programmes have not effectively addressed. Doing more of the same (e.g. increasing funding without systemic changes) will therefore fail to fundamentally improve publicly-financed service provision, hurting especially the poorest.

Trade and investment (EQ 5) between the EU and India increased significantly between 1991 and 2004. This has largely been a supply-side response to India's economic reforms, with the specific EC interventions in the area being few and fragmented. Not surprisingly, they also had a correspondingly limited overall impact, often hampered by considerable delays (up to 10 years), substantial bureaucratic requirements, and cumbersome procedures. Complex project design involving several ministries/agencies may also have contributed to implementation problems.

Conclusions on Relevance, Alignment and Coherence (p.60):

The EC has been innovative and pace-setting in aligning its development assistance with that of GoI. The shift has improved EC-India co-ordination and the internal coherence of the EC's response to India's development challenges. Ensuring full coherence of the NGO project portfolio has proved difficult, due to the selection criteria and funding mechanisms. Relevance of interventions under economic co-operation has at times been diminished by procedural delays.

Conclusions on EC Support to Social Sectors (p.61):

Using the education and health sector programmes (EQ2-4) as main vehicles for EC development assistance has been a deliberate and well-judged choice by the EC. Given India's substantial demand for better and more pro-poor education and health services, the prioritisation of these sectors is warranted and, if effective, can make a substantial contribution to the MDGs. The sector programmes have allowed for a more strategic policy dialogue with GoI that has the potential for sustained improvements in both sectors. However, up to now, neither of the programmes has managed to demonstrate significant progress in addressing the underlying systemic causes that stifle large-scale improvements in service delivery in health and education.

Monitoring and evaluation of the social sector programmes has remained incomplete and has not produced hard evidence on their impact and effectiveness. While this responsibility primarily rests with the government, development partners could have devoted more analytical efforts.

Conclusions on EC Support to Environment and Rural Development (p.62):

Phasing out the stand-alone rural development interventions was well-justified. The remaining projects in environment (ProEco) and rural development could benefit from a more strategic orientation towards testing new and innovative practices and a better integration of the project cycle with GoI-driven initiatives to ensure upscaling and reproduction of positive project results.

Potential synergies, such as those between the health sector programmes and environment (e.g. on public health), are not yet intensively explored. Although EC-Indian political dialogue addresses environmental challenges at the highest level, the follow-up at country-level could benefit from a more continuous involvement of the EC Delegation or other in-country actors.

Main recommendations and options (p.64)

1. **The EC should prioritise improved governance and accountability** in its work in the education and health sectors where the majority of support has been granted. The EC has, to a large extent, aligned its assistance with domestic procedures and policies and should now continue its pioneering work in the core social sectors and use its substantial leverage and

goodwill to facilitate systemic (and, arguably, politically sensitive) reforms that could promote improved accountability of the service providers. There may be various *options* available that are not mutually exclusive:

- **Assist in increasing client power:** The relationship between public service providers (in e.g. health and education) and their clients (e.g. patients and students) is weak in many parts of India, and providers are here largely unaccountable for outcomes. By strengthening the clients' power over providers, services can be improved, as experience from neighbouring countries and elsewhere has demonstrated. Such strengthening can take the form of increasing the choice of providers (by e.g. including the fast-growing private sector), by which clients can reward well performing providers. However making correct choices also require adequate information about provider performance, which - in itself - may also improve performance. Hence the next recommendation:
- **Promote systems for better monitoring of providers:** Too often the performance of teachers and health staff is not monitored, and even if it is, such monitoring often provides few incentives for improving service delivery. Negligent monitoring contributes to high absenteeism rates, which is further exacerbated by weak mechanisms for disciplining absent staff. However, experience has shown that better monitoring, complemented by sanctions for non-performance, can cost-effectively improve attendance and performance of frontline staff. Such monitoring could either be done by communities themselves or by inspection, the key issue being their reliability and credible follow-up.
- **Strengthening civil society and access to information:** The EC is already engaged with various CSOs in this area, but more efforts should be made to strategically use them in its sector work, mainly in the area of advocacy, empowerment and information dissemination, and perhaps less so as direct service providers. In addition, the Rights to Information Act may also offer opportunities for supporting more transparent and accountable systems of governance.
- **Bolster in-house EC capacity to work in partnership with government** on strategic issues in the core social sectors. Most of EC's development assistance has been allocated to the health and education sectors, but this is not reflected in the EC internal allocation of human resource. More resources should be allocated, especially with competencies in health and education governance, as they should become key issues going forward.

2. **Strengthening impact evaluations and information sharing.** There is very little hard evidence available on the impact of EC-supported activities. Most monitoring, audit, review and evaluation reports concentrate mainly on inputs, processes and outputs, and few (if any) have been able to determine if changes in outcomes can be attributed to the EC support for programmes supported. This limits the information available to policy-makers on what works and what does not, and may result in suboptimal allocation of resources (both the EC's and, more crucially, those of its domestic partners). In addition, information on the impact of programmes from other countries could usefully be disseminated, especially in the large-scale social sector programmes. Not all programmes can be rigorously evaluated for impact, and the EC, in co-operation with its development partners, should thus carefully select programmes for evaluation, based on feasibility and importance. The social sector programmes would appear to be strong candidates. Options for strengthening impact evaluation include:

- **Assist in making interventions more suitable for impact evaluation** at design and implementation phase. When designing interventions, substantially more efforts could be devoted to ensuring that they can be better evaluated. Where possible, the EC should roll out programmes in randomly selected pilot areas/beneficiaries, having a control group/area not benefiting from the programme, but sharing the same relevant characteristics. This allows for considerably more rigorous and robust impact evaluation. Currently, there are several ongoing initiatives aimed at promoting more rigorous evaluations, which the EC could tap into.

- **Strengthen demand and funding for impact evaluations.** A key problem is that there has hitherto been limited demand for impact evaluation both from the EC and many of its domestic partners. However, with the strengthening of the civil society and increasing involvement of academia in public affairs in India, combined with renewed commitment to improving health and education outcomes, there seems to be a growing demand for such evaluations. The EC should be ready to provide staff time and funding, as well as being responsive in acting on results that may emerge, scaling up what works, and abandoning approaches that don't work.
 - **Ensure widespread dissemination of credible and independent impact evaluations.** To be credible, evaluation should be truly independent, which will necessitate the use of experts outside the normal 'development consultancy cadre', who may face market pressures to produce biased results. Collaboration with academia and NGOs not involved in operational matters may produce better results. Dissemination of findings from such evaluations is arguably a global public good, which the EC is well positioned to undertake, given its global reach.
3. The EC should **invest more efforts in activities that reflect the diversity and maturity of EU-India relations.** This is in keeping with the expanded scope of the Joint Action Plan beyond the two traditional spheres of development co-operation and economic co-operation, and also will provide adequate follow-up to the current activities in the fields of cross-cultural co-operation and academic exchanges. **Options** for promoting such non-conventional co-operation activities include:
- Intensify efforts to **identify niches** where the EC can add value (e.g. multicultural exchanges and stronger academic links).
 - **Engage with a wider spectrum of civil society organisations**, including those that are not necessarily solely focused on traditional development issues.
 - **Enhance educational exchanges** and expand opportunities being granted, such as the Erasmus Mundus.
 - **Expand media exchanges** centred on, for example, investigative journalism and other critical roles of the media in a democratic society.

2. EVALUATION FRAMEWORK

2.1. Introduction and Scope

The European Commission (EC) is accountable to the European Parliament and the Council for its activities. All activities must be submitted to periodic evaluations as a means of accounting for the efficient management of allocated funds and as a way of improving future programmes. Moreover, development aid evaluations contribute to a results-oriented approach and encourage development partners to focus on the impacts of their policies.

The Commission Services, with support from the Government of India (GoI), have requested the Joint Evaluation Unit of the External Relations family that is based in EuropeAid to undertake an evaluation of the European Commission's support to the Republic of India, hereafter referred to as India. The present evaluation is part of the 2005 evaluation programme as approved by the External Relations Commissioners.

Having consulted relevant EC services, the Evaluation Unit prepared the Terms of Reference for this evaluation (see Annex 1) and recruited an external evaluation team.

The scope of the evaluation included the overall EC co-operation and partnership with India, and in particular the EC-India Country Strategies from 1991 onwards. The assessment focused on development co-operation strategies, partly utilising standard OECD/DAC evaluation criteria of relevance, effectiveness, efficiency, impact and sustainability.¹

The evaluation was forward-looking, providing lessons and recommendations for the continued support to the partnership with India, in particular with regard to new approaches in the light of India's role as an emerging global player.

2.2. Evaluation Process

The evaluation process was phased in three stages: 1) a desk phase, during which the evaluation team formulated the evaluation questions and accompanying judgment criteria and indicators, as well as collecting important information from stakeholders in Brussels. The desk phase also included a preparatory visit by the team leader to Delhi; 2) a field phase, during which the evaluation team worked intensively in India; and 3) a reporting phase, during which the final evaluation report will be produced and findings presented to stakeholders. Key milestones in this process are outlined in *Table 1*.

2.3. Evaluation Methodology

The methodology was based on an initial identification and prioritisation of the programming objectives of the co-operation strategies, a deconstruction of the strategies, and an assessment of the appropriateness of their intervention logic in the context of India. On this basis, a number of intervention clusters were identified. Thereafter, *Evaluation Questions* were formulated and broken down into *Judgment Criteria*, each of which is assessed on the basis of quantitative and qualitative *Indicators*. The evaluation questions were based on the DAC criteria of relevance, effectiveness, efficiency, impact and sustainability. They also took into consideration the 3 Cs of European policy (co-ordination, coherence, complementarity) and cross-cutting issues (gender, governance and environment).

¹ For more information on these indicators see OECD: *DAC Principles for the Evaluation of Development Assistance*, Paris 1991.

Table 1: Evaluation process and milestones

| Phases | Stages | Main documents | Meetings | Dates |
|-----------------|---|---|---|--|
| Preparation (0) | | Terms of reference | | |
| Structuring (1) | Launch | Evaluation team's technical and financial proposal (final launch note) | | 19/07/05 |
| | Inception | Logical Diagrams and Evaluation Questions | Inception meeting (first with RG) | 12/09/05 |
| | | Inception report (draft): Context, judgment criteria, indicators Inception report final | Submission | 30/09/05 25/10/05 |
| | Desk | Preparatory visit of the Team Leader to India First phase report (desk draft) Desk report final | First phase meeting (2 nd with RG) | 07 - 09/11/05 16/11/05 21/11/05 |
| Field (2) | Field visit evaluation Team Debriefing meeting with RG | Preliminary findings | Debriefing meeting (3 rd with RG) | 28/11 - 14/12/05 19/01/06 |
| Synthesis (3) | Analysis and judgment | Evaluation report version 1 Quality assessment (first version) | Validation meeting (4 th RG) | 01/03/06 06/04/06 |
| | Discussion Comments | Evaluation report version 2 | | 08/07/06 |
| | Discussion Comments | Third Draft | | 10/10/06 |
| | Discussion Comments | Final Draft | | 29/1/07 |
| | Report | Evaluation report draft final Quality assessment final | | August 2007 |

The DAC criteria were originally aimed at evaluating specific development assistance interventions. When applying them to the country strategy evaluation in India, the following aspects had to be considered:

(i) The evaluation of the country strategy for India focused on the aggregate, strategic level, assessing how the country strategies/agreements served to steer, and give appropriate focus to, the country programme and its implementation. Less focus was placed on specific stand-alone projects and their performance (which would have been unfeasible, given the plethora of EC-funded projects implemented in India). However, the evaluation utilised these criteria in the analysis of development assistance case studies and for the two major social sector interventions within health and education. The *Criteria Fiches* in Annex 4 present the case study assessments.

(ii) EU-India co-operation has increasingly focused on non-development issues, such as trade, political dialogue, scientific co-operation and enhancing business ties, whereas development co-operation has received relatively less attention.² Nevertheless, the primary focus of the evalua-

² E.g. the 21-page recently agreed EU-India Joint Action Plan from September 2005 devotes only four paragraphs to development co-operation.

tion remained on development co-operation, reflecting the emphasis in the Terms of Reference, the historical allocation of resources through the evaluation period, and the demand from the various stakeholders involved in the evaluation.

Data collection was organised through the evaluation questions, judgment criteria and indicators (EQCI). They represented the major guidelines on which the evaluation exercise was conducted. Subsequently, field coverage of the Commission's interventions was established for each judgment criteria.

Data collection and analysis was carried out during the desk and field phases. During the desk phase, the evaluation team analysed strategic and operational documents, as well as conducting interviews with key EC staff in Brussels and a limited number of key stakeholders in Delhi, including Delegation staff. In addition, Reference Group meetings and written comments contributed to the work of the evaluation team. It is against this background that the evaluation questions, judgment criteria, and indicators were further refined.

The objective of the field phase was to collect the information and the missing analytical elements to answer the Evaluation Questions. Two main information channels were used:

- Further written documentation received during the field phase from GoI, Delegation, other development partners, statistical bodies and business organisations, academia and consultants.
- Direct interviews in the field with the parties involved in the strategy as actors or stakeholders: national authorities, beneficiaries, the Delegation, other donors, as well as international institutions and experts who were involved in identification, implementation, monitoring and evaluation. The comments of industry representatives were also solicited.

The field work took place in Delhi, Rajasthan, Gujarat, Maharashtra, Haryana and Chhattisgarh. Everywhere, officials, stakeholders, and programme teams provided valuable co-operation and support, for which the evaluation team would like to express its thanks. A list of persons met can be found in Annex II.

During the field phase, the evaluation team visited a number of projects and programmes, which constituted the cases studies. These case studies included: District and Primary Education Programme, Sarva Shiksha Abhiyan (education sector programme), Programme for Enrichment of School-level Education, Health and Family Welfare Sector Development Programme, EC-India Maritime Transport Project, Asia Invest Programme (regional), EC-India Civil Aviation Project, Sustainable Community-Based Approaches to Livelihoods Enhancement in Gujarat, Community Management of Natural Resources, Haryana Community Forestry Project, EC-India Disaster Preparedness Support Programme, and Sustainable Tribal Empowerment Project. In addition, strategic-level discussions were held with other key stakeholders.

2.4. Data Collection and Reporting Tools Utilised

The evaluation team developed a tool to facilitate the collection of information during the conducting of interviews and, which also assisted in reporting. In Table 2 is an example (EQ1) of this tool.

Each indicator was numbered according to the judgment criteria and evaluation question it referred to. For instance, I.1.2.3 denotes the third indicator associated with the second judgment criteria of evaluation question 1. For each indicator, possible sources of information were indicated. These sources could be individuals/institutions, documents and statistics. Before each meeting, the evaluator used the table to select the sub-set of indicators that should be the object of data collection for the particular interview.

Table 2: Example of sources and information grid tool

| EQ.1 Relevance: To what extent has EC development assistance been relevant and aligned to national policies and systems aimed at reducing poverty? | National authorities | Implementing agencies | Beneficiaries and stakeholders | EC Delegation | EC Services in Brussels | Other donors, international institutions | Experts | Non-state actors |
|--|----------------------|-----------------------|--------------------------------|---------------|-------------------------|--|---------|------------------|
| JC 1.1 - Degree to which EC co-operation objectives support national priorities as formulated in key policy documents (e.g. the National Five-Year Plans, Statements from Joint Commissions). | | | | | | | | |
| I 1.1.1 - Number of projects and programmes with a 'fit' between project/programme objectives and those of GoI | I,D | I,D | | I,D | I,D | I | I | I |
| I 1.1.2 Number of GoI representatives stating that past and present projects/programmes reflected national priorities and objectives | I | | | | | | | |
| I 1.1.3 Number of projects and programmes continuing after end of EC-support (also related to sustainability). | I,D | I,D | I | I,D | I,D,S | I,D | I | I |
| JC 1.2 - Degree to which EC has used domestic implementation channels for its development assistance interventions. | | | | | | | | |
| I 1.2.1 - Share of EC assistance recorded in the national budget | I,D | I,D | | I,D | I,D | | I | |
| I 1.2.2 - Number of programmes in which EC, other development partners and government conduct joint policy analysis and reviews | I,D | I,D | | I,D | I,D | I,D | | |
| I 1.2.3 - Share of programmes and projects which use domestic reporting and monitoring mechanisms | I,D | I,D | I,D | I,D | I,D | | | |
| I 1.2.3 - Degree to which inputs such as TA and funding are pooled and demand-driven | I,D | | I,D | I,D | I | I | I | I |

Legend: I: Interviews, D: Documents, S: Statistics

The evaluation team also made extensive use of previous evaluations, as requested by the Terms of Reference. None of the EC-commissioned evaluations conducted had produced any credible information on impact, but generally were confined to describing use of inputs, process and outputs, which clearly limited the usefulness in informing policy-makers and stakeholders. The evaluation team consequently made substantial efforts to go beyond these evaluations (as encouraged by the Terms of Reference) by benchmarking some of the results from the evaluations, as well as doing comprehensive research using other sources, including academia.

3. CO-OPERATION CONTEXT

3.1. EC's Objectives

Article 177 of the Amsterdam Treaty, which came into force on 1st May 1999, defines the EU development policy priorities, as follows:

- Sustainable economic and social development in favour of developing countries, with a particular emphasis on the most disadvantaged countries.
- Progressive and harmonious integration of developing countries in the world economy.
- Fighting poverty in developing countries.

The Declaration of 20th November 2000 on the European Community's development policy expresses the Council's and the Commission's intent to reaffirm the Community's solidarity with developing countries, in the framework of a partnership that respects human rights, democratic principles, the rule of law and the sound management of public affairs. The principal aim of the Community's development policy is to reduce poverty, with a view to its eventual eradication.

The Community supports poverty-reduction strategies that integrate the many dimensions of poverty and that are based on the analysis of constraints and opportunities in individual developing countries. These strategies must contribute to the strengthening of democracy, the consolidation of peace, and the prevention of conflict. Other sub-objectives are India's gradual integration into the world economy, increased awareness of the social and environmental aspects with a view to sustainable development, the equality between men and women, and enhanced public and private capacity. Resources available for development aid should be allocated in accordance with their impact on the reduction of poverty. The least developed countries should be given priority. The ownership of the development strategies by the partner countries is considered to be the key to success. The policies should encourage the wide-ranging participation of all segments of society and should give prime importance to political dialogue with the partner countries.

The Declaration emphasises that community activities should be refocused on the following six areas:

- Link between trade and development;
- Regional integration and co-operation;
- Support for macroeconomic policies and promotion of equitable access to social services;
- Transport;
- Food security and sustainable rural development;
- Enhanced institutional capacity-building.

Horizontal issues, such as human rights, equality between men and women, children's rights and protection of the environment, must be incorporated in all aspects of development co-operation. Conflict prevention and crisis management also require systematic attention.

Recently, the Commission has issued a proposal for a joint declaration by the Council, the European Parliament and the Commission on the EU's development policy; "The European Consensus"³. The proposal reiterates the commitment to place poverty reduction as the overarching objective, and highlights the importance of the *Millennium Development Goals*

³ Communication from the Commission COM(2005) 311, Brussels 13 July 2005

(MDGs). Increased emphasis is placed on promoting governance and ensuring that globalisation benefits all and incorporates a strong social dimension.

3.2. Asia-level Co-operation

Legally, the European Commission's economic and development co-operation with countries in Asia and Latin America is governed by a regulation, commonly known as the [ALA Regulation](#). This provides the legal base for the EC's assistance to Asia and Latin America.

The EC's first strategy for the Asian region, published in 1994, was entitled [Towards a New Asia Strategy](#). It was a first effort to take an integrated and balanced view of the relations between the EU and its Asian partners. However, it has subsequently been argued that it did not sufficiently recognise the diversity of Asia, focusing primarily on East and South-East Asia, which were at that time perceived to hold greater economic potential.

The 1994 Asia Strategy provided the impetus to establish regional programmes that also included India. Perhaps the best-known programme is the Asia Invest, which became operational in 1997 (the second phase was commenced in 2003) and sought to promote trade and investments between Asia and the EU. In addition, India has been included in other Asia-wide initiatives, such as Asia Urbs (co-operation among local authorities), Asia Link (promoting networking among universities), Asia Pro Eco (promoting environmental partnerships) and Asia IT&C (co-operation in the field of information and communications technology). Initially, some of these programmes were also subjected to the same criticism as the first Asia Strategy, that they were too indiscriminate in application, not fully recognising the diversity of the continent. As a consequence, several of the programmes have been redesigned in their second phases.

The Asia Strategy was updated in 2001 with the communication entitled [Europe and Asia: a Strategic Framework for Enhanced Partnerships](#), which emphasised the diversity of Asia and recognised that different sub-regions have different needs, and thus require different emphases, depending on the geographical context. In particular, the 2001 strategy seeks to deepen and broaden political dialogue, enhance bilateral trade and investment relations, strengthen co-operation in the WTO, and ensure that the aid programmes in Asia achieve their full potential. Important for the Commission is “*the need to raise its political presence to a level commensurate with the growing global weight of an enlarged EU*”, which can be seen as an acknowledgement that the EU has hitherto not fully realised its potential.

The 2001 document is still valid as the overall strategy for Asia, but in 2004 the EC published its [Strategy Paper and Indicative Programme for Multi-country Programmes in Asia 2005-2006](#), which, as the title indicates, deals with co-operation programmes covering more than one Asian country. This is the first regional strategy paper at co-operation level, and it calls for a phasing out of programmes not corresponding to the priorities as laid out in the regional strategy paper. As a consequence, Asia Urbs and Asia IT&C will probably not continue as distinct programmes.

3.2.1. Regional Level

The above-mentioned 2005 co-operation strategy paper also has a new programme listed, which is support to the South Asian Association of Regional Co-operation (SAARC). The overall objective is to promote closer economic integration of SAARC members, including co-operation on trade and trade-related issues, such as trade facilitation, technical barriers to trade/sanitary and phyto-sanitary measures, investment, financial services, and monetary issues. However, the EC has supported SAARC previously; in 1995, it signed an MoU offering technical assistance to the benefit of the institution as a whole. In 2000, SAARC countries were granted regional cumulation under the General System of Preferences (GSP) and requested the EC to provide expert assistance on the subject.

SAARC has arguably underperformed in relation to its mandate, partly because geo-political differences between especially India and Pakistan have rendered the organisation rather weak

for much of its 20 years of existence. At present, intra-regional trade accounts for only about 5% of total trade by SAARC nations.

But renewed dialogue between the two countries, and the agreement in principle to establish a South Asian Free Trade Area (SAFTA) by 2006, have reinvigorated the organisation and probably also been instrumental in garnering renewed support from the EC. Again, the ability of SAARC to position itself as an important and relevant regional institution is arguably partly contingent upon continued progress in the relationship between India and Pakistan.

3.3. Overall Political, Economic and Social Context for EC-India Co-operation

3.3.1. Political Situation

India is the world's most populous democracy and has held regular and largely free elections since 1947. However, there are occasional cases of irregularities but a high-level of political awareness and the sheer size of the electorate nevertheless generally ensure that the final results reflect the wishes of the people, and the ousting of incumbent administrations is increasingly frequent.

The Republic of India is a constitutional federal democracy, made up of 28 states and seven union territories. The Indian constitution defines the division of most powers between the centre and the states, although the centre takes precedence in relation to residual powers. India's federal structure often leads to demands for further devolution of powers to the states, as well as demands for new states to be created. In 2000, three new states (Chhattisgarh, Jharkhand and Uttaranchal) were formed from Madhya Pradesh, Bihar and Uttar Pradesh, respectively. Chhattisgarh is one of the two states benefiting from the EC-supported State Partnership Programme (the other being Rajasthan).

The Indian constitution provides for an independent judiciary, with high courts in every state and a Supreme Court in New Delhi. There are two houses of parliament. The lower house, or Lok Sabha (house of the people), is elected every five years by universal adult suffrage. Members of the upper house, or Rajya Sabha (house of the states), are elected by their respective state legislatures, according to state quotas based on population. The President appoints the Prime Minister, who is the designated leader of the political party or coalition commanding parliamentary majority. The President is elected indirectly for 5-year terms by a special electoral college, composed of delegates from the federal Parliament and state legislatures. The President of India is the head of state and first citizen of India and the Supreme Commander of the Indian armed forces. The President's role, however, is largely ceremonial: real executive authority is vested in the Council of Ministers, headed by the Prime Minister.

India has a free and diverse press, published in Hindi, English and vernacular languages. In 2001, there were 5,638 daily newspapers, with a combined circulation of 57.8m copies, and 45,974 periodicals, with a total circulation of 56.9m. In June 2005, the government liberalised the print media industry further, allowing foreign newspapers to publish in the country.

3.3.2. Human Rights Situation

The new coalition led by the Congress Party has taken important positive steps with regard to respect for human rights⁴. These include the repeal of the controversial Prevention of Terrorism Act (POTA). POTA had allowed security forces to hold individuals for up to 180 days without filing charges, broadening the scope of the application of death penalty and dispensing with the presumption of innocence by placing the burden of proof on suspects. In addition, the Supreme Court and the National Human Rights Commission (NHRC), each with their unique roles and mandate, are making important contributions in redressing human rights violations and securing

⁴ Information drawn from 2005 Annual Report of the Human Rights Watch and the Human Rights Assessment of the US State Department and the Office of the High Commissioner for Human Rights.

justice for victims. The Supreme Court has made several landmark decisions strengthening the justiciability of fundamental human rights, among these the right to food.

Despite the positive developments, concerns remain about the lack of promptness in addressing human rights concerns, especially at the lower levels of the individual state machineries. According to the NHRC, instances of harassment of vulnerable sections of society by the state machinery is an issue that warrants more attention.

NHRC⁵, in its most recent annual report, also focused attention on the weak implementation of India's anti-discrimination laws by expressing deep concerns about the atrocities against people belonging to Scheduled Tribes (adivasis). Furthermore, it notes "with regret the inordinate delay on the part of the Central and State Governments to respond positively to the recommendations made by it to protect the rights of citizens who are displaced from their own lands that too often are left without receiving adequate and timely compensation and left to fend for themselves". That these concerns are not new is supported by the concluding observations from 1996 of the UN Committee on the Elimination of Racial Discrimination, which "recommends that special measures be taken by the authorities to prevent acts of discrimination towards persons belonging to the scheduled castes and scheduled tribes, and, in cases where such acts have been committed, to conduct thorough investigations, to punish those found responsible and to provide just and adequate reparation to the victims"⁶.

Discrimination against women and girls is pervasive, including the (illegal) practice of female foeticide. In its most recent report, the UN Child Rights Committee, reported that an "area of concern is India's unfavourable sex ratio, which is primarily due to a higher female mortality rate as compared to the male mortality rate right up to the age of 35 years. Every year, about 12 million girls are born in India; three million, or 25 per cent, do not survive to see their fifteenth birthday; a third of these deaths take place in the first year of life. Thirteen per cent of female deaths before the age of 24 years are due to complications in pregnancy and childbirth. Though the expectancy of life at birth has improved over the years and the mortality for all ages has declined sharply, major gains in female life expectancy have accrued mainly to the older age group⁷."

As for economic, social and cultural rights, both the NHRC and the UN Special Rapporteur on the Right to Food are reporting on the failures in the realisation of the right to food: "that, although famine has been overcome, millions of Indians still suffer from chronic under-nourishment and severe micronutrient malnutrition, especially women and children and people of lower-caste scheduled castes and tribes. Starvation deaths have not been fully eradicated, nor have discrimination against women and against lower castes, corruption, impunity, and a wide range of violations, including forced labour, debt bondage and forced displacement (destroying people's access to productive resources) remain serious obstacles to the realisation of the right to food"⁸.

⁵ National Human Rights Commission, Annual Report 2003-2004, New Delhi, India.

⁶ CERD/C/304/Add.13 of 17 September 1996.

⁷ The GoI continues: "The attitudes towards girls are reflected in the following social trends: 1) Population growth indicates gender discrimination —during 1981–91, the female population (21.77 per cent) grew at a slower pace than the male population (22.40 per cent); 2) Sex ratio is unfavourable to women— from 972:1000 in 1901 it has come down to 933:1000 in 2001. Without discrimination the ratio should be approximately 1050/1000. As per the 1991, census there were approximately 13.34 million girls (0-19 years) missing in India. Especially in some Northern and Eastern states the sex ratio is even more skewed, indicating worse discrimination against girls and women."

⁸ Economic, Social and Cultural Rights. The right to food; Report of the Special Rapporteur on the Right to Food, Jean Zielger. Addendum MISSION to India (20 August - 2 September 2005). It should be noted that the Special Rapporteur was also "impressed by the progress that has been made to eradicate famine and food shortages as a result of public investment in agriculture and rural infrastructure, combined with programmes such as the Public Food Distribution Scheme (PDS) and the Integrated Child Development Services Programme".

India has ratified all key human rights treaties and instruments, with the exception of the two optional protocols of the ‘Covenant on Civil and Political Rights’ (CCPR-OP1, CCPR-OP2) aimed at the abolition of death penalty, the optional protocol on the ‘Elimination of all Forms of Discrimination against Women’ (CEDAW-OP), the optional protocol to the ‘Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment’ (CAT-OP)⁹ and the ‘International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families’ (MWC)¹⁰.

3.3.3. Key Governance Indicators

Research has shown that the quality of governance is positively correlated to per capita income, that improving governance raises per capita incomes but that the causation does not go the other way.¹¹ This important insight has been translated into increasing emphasis on improving governance performance both in corporate and public affairs. This has also been reflected in the assistance strategies of the main development agencies, including the EC, with governance being a key issue in many sector programmes and a priority area in the Progress for Partnership with Rajasthan and Chhattisgarh (see also EQ7 Support to Governance in this report).

Figure 1 on the following page shows that India is fairing well on the account of key governance indicators that illustrate the overall quality of the democratic process. India performs particularly well with respect to ‘Voice and Accountability’, where it receives the highest ranking among the selected countries in the region. This matches with the overall positive assessment of India’s democratic process as being stable and free. Also, with regard to ‘Rule of Law’, India receives relatively high marks, surpassed in the group of comparison countries only by Sri Lanka. Although its ranking with regard to ‘Political Stability’ is low compared to its performance in the other categories, India still ranks higher than most of the comparison countries in the region. The only exception is China, which receives the highest rank in this category. However, according to the indicators in *Figure 1*, China achieves this high level of political stability only at the expense of its ranking with regard to ‘Voice and Accountability’, where China receives the lowest mark in the comparison group.¹²

Figure 2 on the next page displays the rankings of the six selected countries in the area of government performance. Here, India receives comparably high marks in the area of ‘Government Effectiveness’ (surpassed only by China). Surprisingly, however, its standing with regard to ‘Regulatory Quality’ is considerably lower when compared with the other countries, such as Sri Lanka, which is ranked considerably higher than India with regard to regulatory quality, but (marginally) lower than India in the category of government effectiveness.

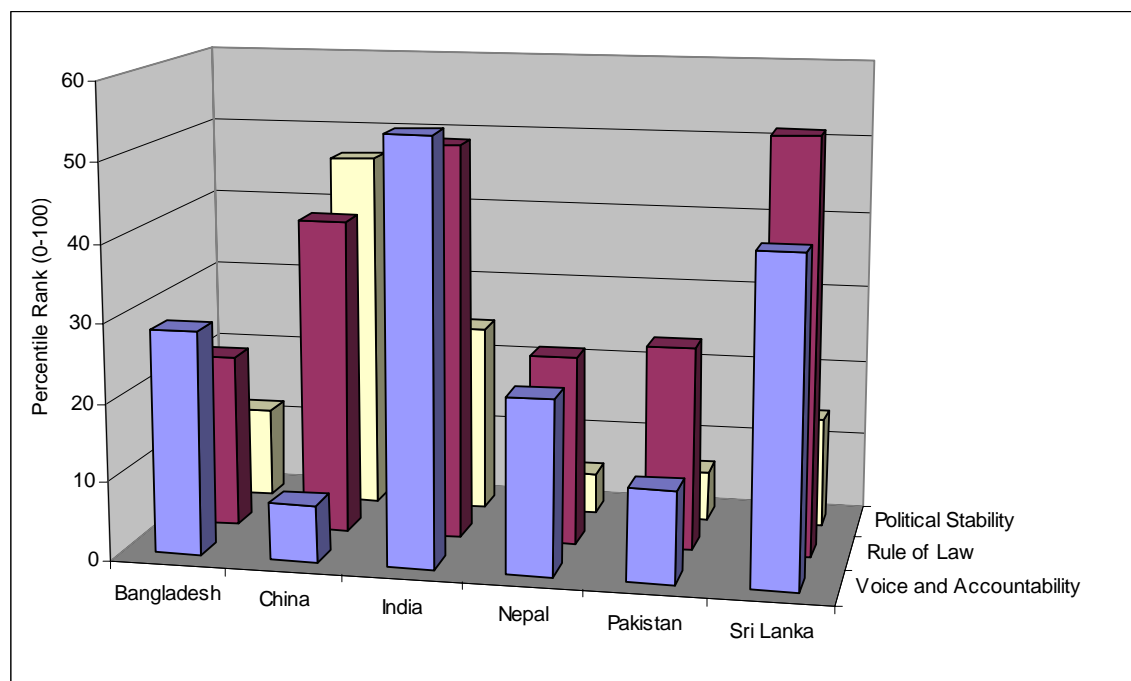
⁹ The NCHR is recommending that India does ratify this important optional protocol.

¹⁰ Source: Status of the Ratification of the Principal International Human Rights Treaties as of June 2005, Office of the United Nations High Commissioner for Human Rights.

¹¹ See e.g. Kaufman, D. and A. Kraay. ‘Governance and Growth: Causality which way?’, Washington, 2003.

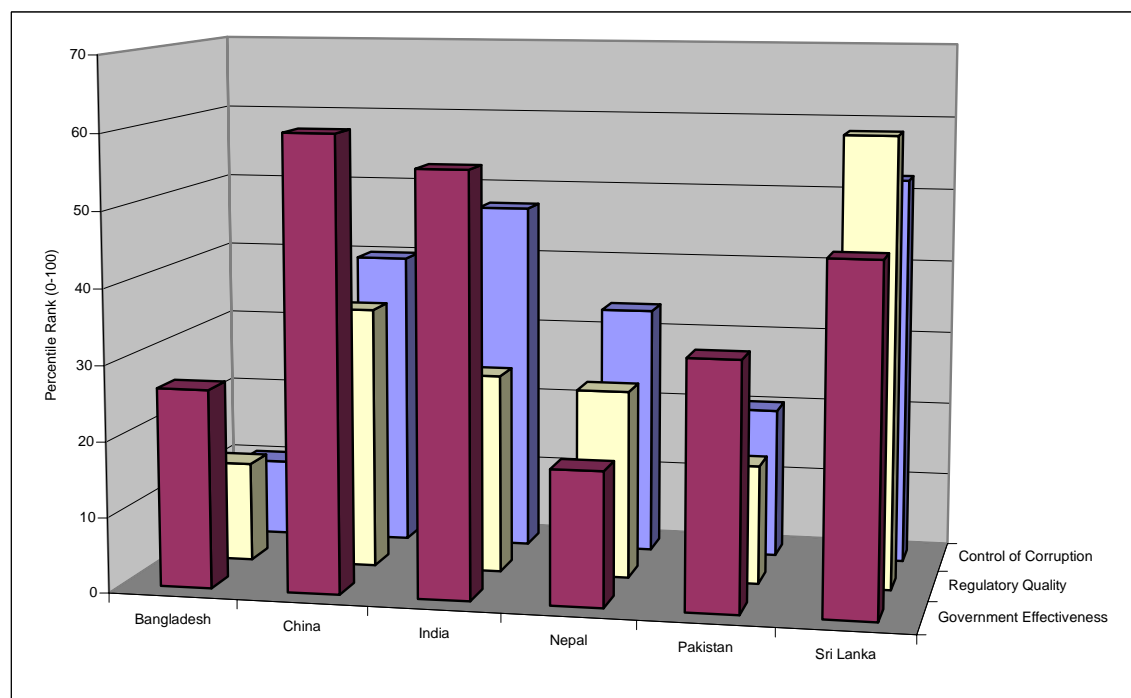
¹² *Figure 1* and *Figure 2* depict the percentile rank on each governance indicator. Percentile rank indicates the percentage of countries worldwide that rate below the selected country (subject to margin of error, which is not displayed in the graph). For instance, a bar of length 75% has the following interpretation: an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than the country of choice. The governance indicators presented here reflect the statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries, as reported by a number of survey institutes, think-tanks, non-governmental organisations, and international organisations (Source: Governance Research Indicator Country Snapshot (GRICS): 1996-2004, World Bank, <http://info.worldbank.org/governance/kkz2004/>).

Figure 1: Key governance indicators (I) – overall quality of democratic process



Source: Governance Research Indicator Country Snapshot (GRICS): 1996-2004, World Bank

Figure 2: Key governance indicators (II) – government performance

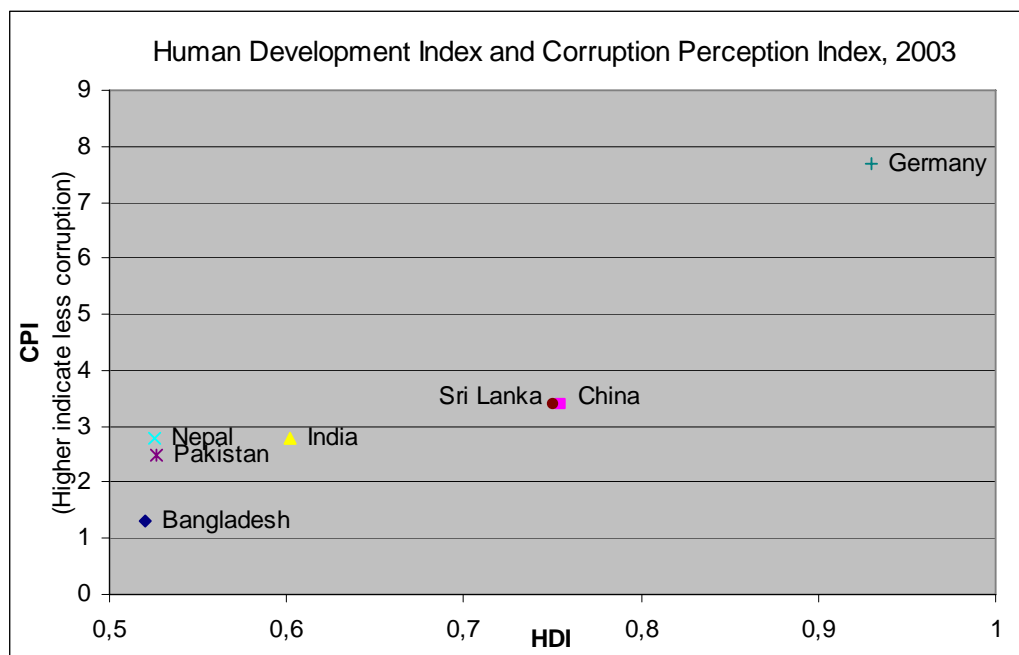


Source: Governance Research Indicator Country Snapshot (GRICS): 1996-2004, World Bank

With regard to ‘Control of Corruption’, India scores higher than Pakistan and Bangladesh (the latter having the world’s highest incidence of corruption, according to the index) but lower than Sri Lanka. It is also interesting to note the correlation between corruption and human develop-

ment as measured by the UNDP Human Development Index (HDI), which is a composite index that measures the average achievements in a country in three basic dimensions of human development: life expectancy; adult literacy rate, and the enrolment ratio for primary, secondary and tertiary schools; and GDP per capita in purchasing power parity (PPP) in US dollars. This correlation seems to validate increased focus on governance, but finding appropriate entry points for external development partners (including the EC) has generally proved to be a difficult challenge.

Figure 3: Going hand in hand: Corruption Perception Index and Human Development Index for selected countries.



Sources: Transparency International and UNDP

Finally, it should be noted that there appear to be only limited provider incentives for improved performance in the two core social sectors of education and health, the two sectors that have received more than half of all EC-committed funds during the evaluation period. Indeed, indications are that the populous and poor states of Northern and Eastern India are suffering from some serious governance problems, with teachers and health clinic staff either absent or demanding bribes for carrying out their regular work. A recent study has compared these two sectors for India and five other developing countries. The results in Table 2 show that India performs poorly in this regard.

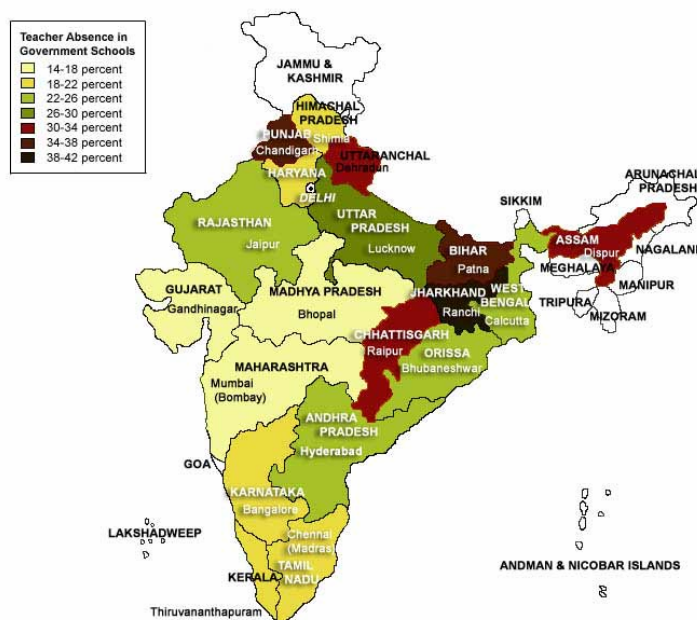
Table 3: Provider absence rates by country and sector

| Country | Absence rates (%) in: | |
|---------------------------|-----------------------|------------------------|
| | Primary schools | Primary health centres |
| Bangladesh | 16 | 35 |
| Ecuador | 14 | NA |
| India | 25 | 40 |
| Indonesia | 19 | 40 |
| Peru | 11 | 25 |
| Uganda | 27 | 37 |
| Unweighted average | 19 | 35 |

Source: Chaudhury, N.; J. Hammer; M. Kremer, K. Muralidharan, and F. H. Rogers: 'Missing in Action: Teacher and Health Worker Absence in Developing Countries' In The Journal of Economic Perspectives, Volume 20, Number 1, Winter 2006.

As can be seen from Figure 4, the states of Chhattisgarh, Jharkhand, Bihar, Uttar Pradesh, Uttaranchal, Punjab and Assam all have teacher absence rates above 25%, which in the evaluation team's view is a clear indication of the service providers not being held accountable for the delivery. Similarly, the seminal official *Public Report on Basic Education for India (PROBE)* reported that there were no teaching activities going on in half the sample schools visited.¹³ Hence, the increased emphasis on governance both in EC global policies and in the 2002 CSP seems justified.

Figure 4: State-level teacher absence rates in India, 2003



Source: Chaudhury, Hammer, Kremer, Muralidharan & Rogers (2005), 'Teacher Absence in India: A Snapshot', in *Journal of the European Economic Association*, Vol. 3, No. 2-3

3.3.4. Economic Situation and Poverty Reduction

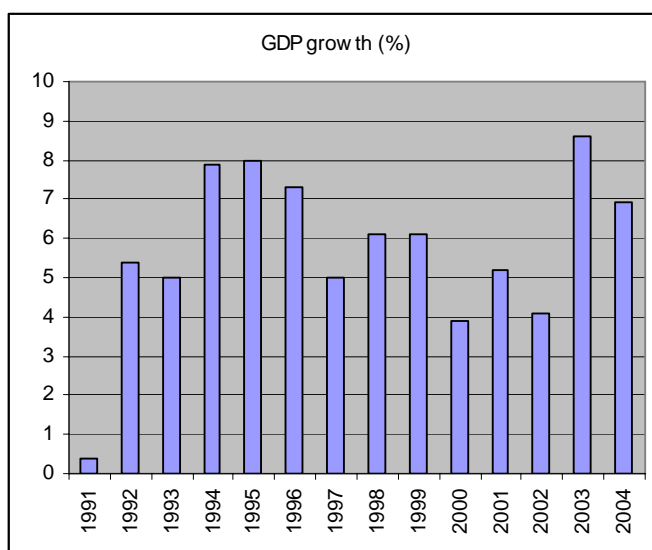
India can be described as a two-tier economy. On the one hand, it has a cutting-edge and globally-competitive, knowledge-driven service sector that employs the brightest of the middle classes; on the other hand, it has a sprawling, largely rain-fed agricultural sector that employs

¹³ De, A. & Jean Drèze : *Public Report on Basic Education for India*, OUP, 1999.

the majority of the vast and poorly-educated labour force. India's manufacturing sector has traditionally been poor, although there are signs that this is beginning to change. The agricultural sector, including fishing and forestry, accounts for around 20% of GDP, the service sector for 53% and manufacturing for 27%.

In the first three decades after independence in 1947, economic growth was on average 3.5%, which translated into a per capita growth of only 1.5% due to high population growth rates. While there are numerous causes for this slow growth rate, most agree that extensive government intervention in the economy, coupled with numerous and complex regulations covering most industrial sectors, a tightly-controlled investment regime and severe restriction on imports and foreign exchange transactions, all conspired to limit economic activity. This set of economic policies has also been termed the 'License Raj'. The slow growth rate limited the scope for effective poverty reduction. Reforms begun in the 1980s culminated in the 'big bang' of reform in 1991, at which time significant trade and market liberalisation was introduced. This facilitated higher growth rates, as can be seen from Figure 5.

Figure 5: Strong GDP growth



Sources: World Bank and Economist Intelligence Unit

The exact degree to which these accelerated growth rates have facilitated poverty reduction is an issue of considerable academic and political debate, but it is indisputable that India has made significant progress in reducing poverty. There thus seems to be close correlation between growth and poverty reduction, which is also reflected at state level. India's poorest states (including, its biggest) both grew more slowly and reduced poverty less than the average in the past two decades. Uttar Pradesh and Bihar, in which about a quarter of India's population lives,

are generally reckoned to be slower reformers and poorer providers of government services than most rich states. The argument that the opening up of the economy and the accelerated growth rates has not benefited India's poor thus needs to be qualified.¹⁴ Indeed, those states that have had higher growth rates have reduced poverty significantly.

In aggregate, there is no doubt that India has made significant progress in reducing poverty. According to the World Bank, more than half of India's population suffered from poverty in the 1950s, but this has now been reduced to less than 30%. As a consequence, India can make a significant contribution to reaching the first Millennium Development Goal of halving the proportion of people living on less than a dollar a day.

India and its development partners nevertheless still face significant challenges, especially in some of the poorer states, which display some of the worst social indicators. Disparities between the rural and urban areas are particularly marked. Poverty is concentrated in the rural

¹⁴

See e.g. Kevin Watkins (Director of the UN Development Programme's Human Development Report Office): 'When globalisation leaves people behind' in *International Herald Tribune*, 12 February 2006.

areas, which are home to three-quarters of India's poor. This is also the background for the government's renewed focus on the rural poor, as outlined in its policy agenda known as the 'Common Minimum Programme'. The passing of the *Rural Employment Guarantee Bill*, ensuring 100 days of employment each year to every rural household, can also be viewed in the context of renewed focus on the rural poor, although concerns have been raised about impact on fiscal discipline and leakages to non-intended beneficiaries.¹⁵

Finally, despite the significant achievement in reducing the number of people living in extreme poverty, most people in India are still poor. Thus while 'only' around 300 million are living on less than USD 1 per day, another 300 million are living on between 1 to 2 USD per day, which by any definition cannot be considered wealthy (UNDP 2006). There are thus significant development challenges ahead, not least regarding the health and educational status of the poor.

3.3.5. India's Health Situation

India has made significant progress in the past several decades in improving the health and well-being of its people. Over the past 40 years, life expectancy has risen by 17 years to 61 years, and infant mortality has fallen by more than two-thirds to 74 deaths per 1,000 live births.

Despite these significant strides, the country continues to bear a heavy burden of both communicable and non-communicable diseases. Furthermore, India is experiencing a slow epidemiological evolution from infectious and parasitic diseases to non-communicable diseases. Also, the emergence of AIDS has begun to affect national and regional epidemiological profiles and priorities.

*HIV and AIDS situation*¹⁶

India's socioeconomic status, traditional social norms, cultural myths on sex and sexuality, large-scale migration and a huge population of marginalised people make it extremely vulnerable to the AIDS epidemic.

Table 4: Country HIV and AIDS estimates, end 2003

| | |
|--|------------------------------|
| Adult (15-49) HIV prevalence rate | Range: 0.4%-1.3% |
| Adults (15-49) living with HIV | Range: 2,200,000 – 7,300,000 |
| Adults and children (0-49) living with HIV | Range: 2,200,000 - 7,600,000 |
| Women (15-49) living with HIV | Range: 630,000 - 2,100,000 |
| AIDS deaths (adults and children) in 2003 | Range: 160,000 - 560,000 |

Source: 2004 Report on the global AIDS epidemic

The second phase of the National AIDS Control Programme (NACPII) has been established through the National AIDS Control Organisation (NACO), the Ministry of Health and Family Welfare, and State AIDS Control Societies in every state.

India is one of the few countries that initiated HIV-prevention activities in the very early stages of the epidemic and the country has maintained its commitment to prevention efforts. In 2004, India introduced free antiretroviral treatment in government hospitals. The programme initially began in the six high-prevalence states. Following the change in government in 2004, the politi-

¹⁵ See e.g. *Economist*: 'India's poor law', 27 January 2005, and *Economic Times* (of India): 'Rural Job Scheme & Task Ahead', 5 September 2005.

¹⁶ Source: UNAIDS country profile.

cal commitment to implement a multi-sectoral programme on HIV and AIDS increased even further.

However, due to the vast size of the country, there are many challenges involved in expanding the high-level commitment to all states and to the grassroots level, as well as in involving ministries and departments other than health, and in scaling up interventions to meet the projected needs for prevention and care.

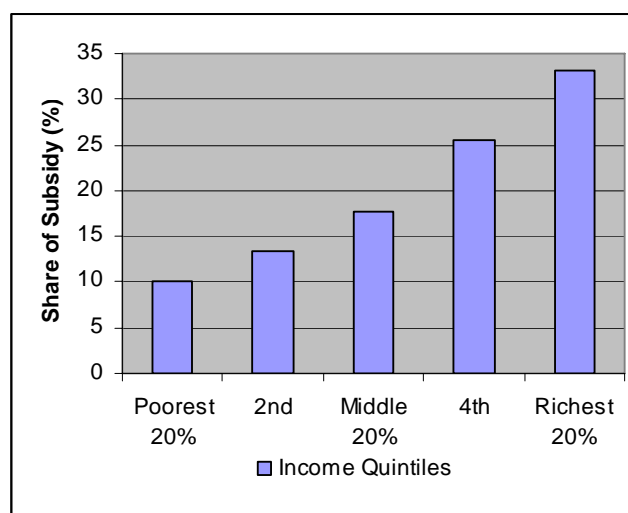
3.3.6. India's Present Health System

Stagnant public spending on health (less than 1% of GDP) places India among the bottom 20% of countries with regard to health spending. Most low-income countries spend more than India, where current levels are far below what is needed to provide basic health care to the population. The bulk of public spending on primary health care has been spread too thinly to be fully effective, while the referral linkages to secondary care have also suffered. As in other countries, preventive health services do not have the same priority as curative care.¹⁷

Between 75–90% of public health resources are spent by India's states. The states' funds are largely tied up in salary expenditures, leaving little room for essential drugs, supplies, operations and maintenance. The large differences in health financing among rich and poor Indian states is threatening to increase the variation in key health indicators across the country. The states of Kerala, Punjab, and Tamil Nadu, for example, have twice the per capita public health spending of Bihar and Madhya Pradesh.

Curative public services favour the richer parts of the population (*Figure 6*). About three Rupees are spent on the richest quintile of the population for every Rupee spent on the poorest 20%. There are also differences in distribution of different types of services: immunisations and outpatient services at primary-level health centres are pro-poor, but inpatient services are less likely to reach the poor. Yet in three states (Kerala, Tamil Nadu, and Maharashtra), the distribution of public spending on health is nearly uniform across income groups. States with better equality in their public spending have better health status outcomes.

Figure 6: Share of public subsidy for curative care benefiting income groups



Source: Mahal et. al.: 'Who Benefits From Public Spending in India?', NCAER 2002

¹⁷ This section consists mainly of edited extracts of the conference report "Better Health Systems for India's Poor", November 2001, "India Health Report", Oxford University Press, 2003, and the Health and Family Welfare Programmes' Mid-Term Review.

In contrast, private health spending accounts for more than 80% of all health spending. This is one of the highest proportions of private health spending in the world. Only in five other countries around the world is private financing of health services equally important, but, unlike India, these are all countries with a recent history of major internal unrest and conflict.

Nearly all the private spending in India is out-of-pocket at the point of service. This is an inefficient way to finance health care that leaves people highly vulnerable. As in most developing countries, poorer households purchase less curative health care from the private sector than richer households. Partly because of the inability to pay and the lack of safety nets, such as insurances, the poor are also much less likely to get hospitalised. Households above the poverty line have more than double the hospitalisation rates of the poor.

Hospitalisation without health insurance or other risk-pooling mechanisms to help families overcome a period of illness frequently means financial catastrophe:

- Only 10% of Indians have some form of (often inadequate) insurance.
- Hospitalised Indians spent more than half (58%) of their total annual expenditure on health care.
- More than 40% of those hospitalised have to borrow money or sell assets to cover expenses.

According to a conservative estimate, one quarter of hospitalised Indians end up falling below the poverty line because of hospital expenses, with the risk varying greatly from state to state. Even treatment at public hospitals, intended to protect the poor from financial risks, often leaves the poor vulnerable to unforeseen health costs.

The private sector accounts for most curative care services in India, though there is considerable variation across services and states. The distribution of private services is even more skewed towards the rich than in the public health sector. In Kerala, poor Indians have a 10 times better chance of being hospitalised than in Bihar, Punjab, Uttar Pradesh, and Rajasthan. In general, the poor depend on the public sector for the majority of their health services, with one exception: overall, the private sector provides 79% of outpatient care for those below the poverty line. Much of the care is of low quality and is provided by untrained practitioners.

The private health sector differs significantly among states. Understanding the local characteristics can help government and its development partners to better adjust their support and regulatory policies for private health service providers. In Uttar Pradesh and Andhra Pradesh, differences were found in the types of services seen, the therapies offered, consultation charges, incomes, costs of doing business, types of concessions offered to the poor, and interest and participation in national health programmes. Alternative private practitioners (untrained in western, allopathic medicine or practising Indian systems of medicine) make up a larger segment of the private outpatient care market than qualified allopathic doctors. Irrespective of the type of provider, quality assurance is a problem, with poor clinical practices and inadequate staffing. There are, however, many opportunities for the government to work with or influence the practices of private service providers.

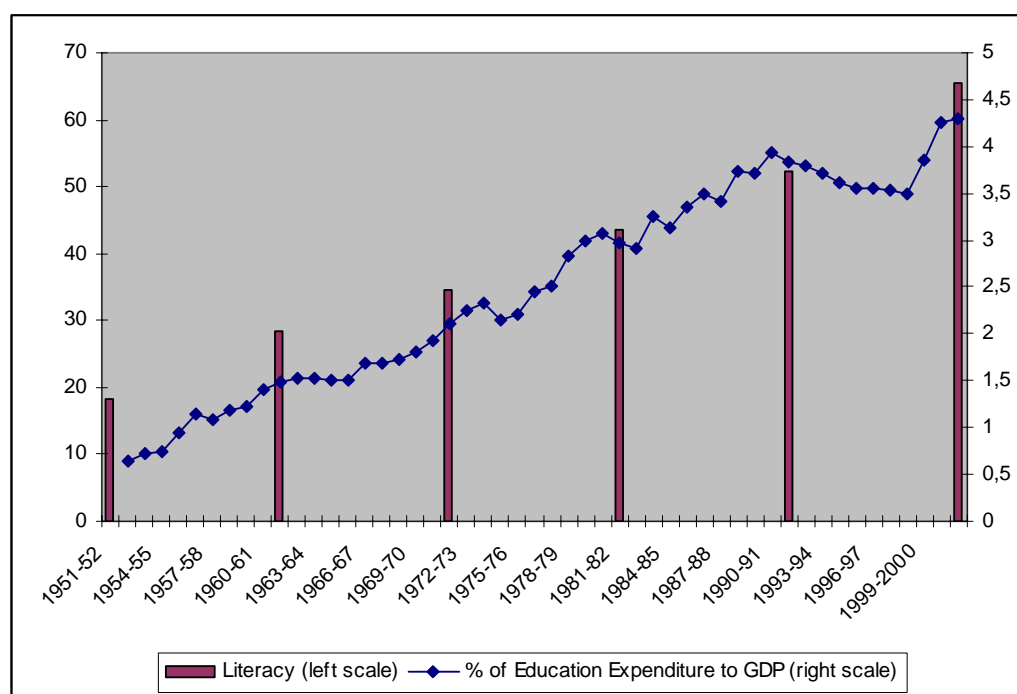
The large variation across states means that generalised recommendations for India — or even for groups of states — run the risk of oversimplification. Health is a shared responsibility of the central government and the states. How much discretion each state has over the policy options in any given area varies. In some public health activities, central government will probably take the lead through centrally-sponsored schemes, but in curative services there is already enormous variation in what states attempt to do, and especially in how well they do it. Solutions will have to be matched to the capacity available in each state.

3.3.7. Education Achievements and Challenges

India has made significant progress in expanding access to education and increasing budgetary resources to the sector. Between 1992 and 1998, net enrolment of children aged 5 to 10 increased from 68% to 82% nationally, while literacy rates increased from 52% to 62%, according to the Indian Department of Education. In particular, access to education for girls and rural children has been improved, albeit from a very low starting point. In addition, the number of out-of-school children aged between 6 and 14 declined from 39 million in 1999 to 25 million in 2003. Budget allocations have increased, but again from a low starting point. The new UPA government has committed itself to further increasing spending on education.

This may also be needed because many years of underinvestment in the sector, and the deeply-rooted gender and caste discrimination, is still hampering, in particular, girls and the poorest in getting access to quality education.

Figure 7: Growing education expenditures and literacy rates



Source: Department of Education, 2005.

Also, while aggregate numbers have improved, there are significant discrepancies between states. In particular, the populous northern states of Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal are mired in low human development, poor quality of public governance, entrenched gender and caste discrimination, and significantly lower growth rates than the rest of India. This is also reflected in educational outcomes. Female literacy in Kerala (a southern state) is around 88%, while the corresponding figure for Bihar is 34% (National Literacy Mission, 2001 figures). For some of the marginalised groups, such as the scheduled castes¹⁸, the discrep-

¹⁸ Scheduled Castes and Scheduled Tribes are communities that are accorded special status by the Constitution of India. These communities were considered 'outcastes' and were excluded from the Chaturvarna system that was the social superstructure of Hindu society in the Indian subcontinent for hundreds of years. These castes and tribes were relegated to the most menial labour, with no possibility of upward mobility, and degenerated into the most economically and socially backward of communities in the region. The Scheduled Caste people are also known as Dalits; Scheduled Tribe people are also referred to as Adivasis.

ancies are even worse. Female literacy for these groups is 7% in Bihar, compared with 74% in Kerala.

Thus, despite its impressive performance in some states, India is still home to about 40% of the world's illiterate, despite having only 17% of its population.

The government's strong commitment to increasing focus on, and resources to, the sector is therefore highly warranted, but translating this commitment into improved educational outcomes will require more than just additional funds. The key will be the degree to which educational governance is improved. In many of the poorest states, teacher absenteeism is high, service delivery ineffective, and teachers, head teachers and educational managers unaccountable for what goes on in the classroom.

The challenges are thus immense and will require strong political leadership both at central and state levels, but experiences from other states (e.g. Tamil Nadu and Himachal Pradesh) suggest that it is possible to improve education outcomes in an inclusive and sustainable fashion, not only by increasing the budget but also by improving accountability of service providers.

With regard to post-primary education, the overall rate of enrolment in secondary schools rose from 20% in 1960 to 44% in 1991 (with the female rate rising from 13% to 32%). The rate of enrolment in higher education for males and females was 9% in 1990, the highest by far for a low-income developing country, and up from 3% in 1960. India now has more than 225 universities, 6,800 affiliated colleges and 1,128 polytechnics.

The impressive enrolment rates for higher education illustrate the duality of the Indian society, with its dynamic and modern service sector, which has boomed since the opening up of the economy, whereas a large part of the population is still left illiterate and mostly poor. Although higher education is very competitive, it is nevertheless also skewed to favour students from certain castes and religions.

Especially in the past, there has been considerable concern about the emigration of highly-educated and qualified individuals to western countries, not least the USA. However, the opening up of the economy and the boom in the service sector has increased the opportunities for highly-educated Indians in India and for Indian professionals in the USA to become the primary drivers of knowledge and capital flows to India. The Indian government has contributed to the emergence of these private networks through legislative and tax rules that encourage remittances and investment from Indians abroad. This has not stopped the outflow of educated Indians, but now many do return or invest in the country, causing what some have argued is a situation of benign 'brain exchange' or 'brain circulation', in which there is a flow in and out of India of people, ideas and innovation between India and the rest of the world.¹⁹

3.4. Government's Development Strategy

Despite significant progress, poverty reduction remains a compelling challenge for the Government of India. To sustain progress, India must widen and deepen its efforts to address poverty both spatially (reaching backward states and districts) and socio-economically (reaching excluded groups). As formulated in the 10th Five-Year Plan (the key strategy planning document of GoI): *"For the country to attain its full economic potential, and for the poorest and weakest to shape their destiny according to their own desires, it requires a comprehensive reappraisal not only of our development strategy, but also of the institutional structures that guide the development process. This is the task that the Tenth Plan has set for itself."* A key precondition will be accelerating economic growth and improving macro-economic stability, especially by controlling the consolidated fiscal deficit of the federal and state governments. The 10th Five-Year Plan outlines the government objective of accelerating growth to 8%, against an average of

¹⁹ See e.g. Saxenian, Anna Lee: 'Brain Drain or Brain Circulation: The Silicon Valley-Asia Connection', Harvard University Asia Center, 2000. It has also been estimated that around 16,000 vacancies in India will be filled by UK graduates in 2009; see The Independent (UK), 25 Oct. 2005.

6% during the last two decades. In order to achieve such an outcome, the Five-Year Plan outlines a ‘second generation of reforms’ focusing on improving tax revenues, reducing poorly targeted public subsidies (including interest rate subsidies, and rural power, water and fertiliser subsidies) and improving financial intermediaries between savers and especially small-scale investors.

Finally, the 10th Five-Year Plan is also the most explicit in its insistence on the need to progress on governance in order to improve development outcomes. As stated in the plan, the public sector often fails to provide key public goods due to “administrative cynicism, rising indiscipline, and a growing perception that the political and bureaucratic elite views the State as an arena where public office is to be used for private ends.”²⁰ The plan further outlines the need to empower end-users with a direct stake in improving service delivery.

At sectoral level, the emphasis on governance is translated into focus on improving local accountability ‘compacts’ between service providers, end-users and policy makers, especially concerning health and education, where improvements are much needed. In addition, the plan reiterates its commitment to education for all and to improving the access to and utilisation of health, family welfare and nutrition services, with special focus on under-served and under-privileged segments of the population.

3.5. India’s Development Partners

Because of India’s sheer size and high growth rates, development assistance is of relatively minor importance to the economy, constituting around 0.3% of GNI, with a downward tendency. This is in sharp contrast to many of its neighbouring countries (not to mention Africa) and also reflects India’s ambition of transforming itself from being an aid receiver to becoming an aid donor.

Table 5: ODA for India and selected countries, 2005

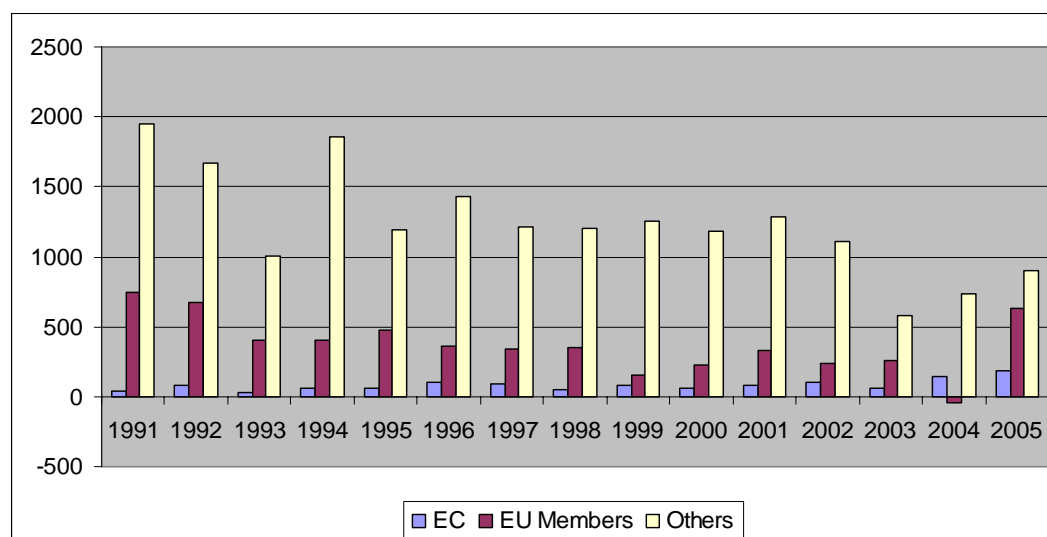
| | ODA | Population | GNI/cap | ODA/GNI (%) |
|------------|------|------------|---------|-------------|
| India | 1724 | 1094.58 | 720 | 0.22 |
| Sri Lanka | 1189 | 19.58 | 1160 | 5.13 |
| Pakistan | 1666 | 155.77 | 690 | 1.54 |
| Bangladesh | 1321 | 141.82 | 470 | 2.10 |
| China | 1757 | 1304.5 | 1740 | 0.08 |

Source: OECD/DAC, 2005

This has been accentuated by the decision to phase out government-to-government development co-operation with smaller donors, while at the same time expanding India’s aid to, for example, West Africa and NEPAD (through subsidised credit lines) while continuing to extend aid to Nepal and Bhutan.

²⁰ GoI: Tenth Five Year Plan 2002-2007 p. 22. Planning Commission, New Delhi 2002.

Figure 8: Disbursement of total aid (net), million USD, 1991-2005



Source: OECD/DAC, various years

As can be seen from *Figure 8*, the EC is only a minor, if growing, donor in India, contributing 5% of net disbursed aid between 1991 and 2005. Combined EC and EU member states have accounted for 27% of the aid in the period covered, but with significant changes in the contributions from individual member states. In the early 1990s, Germany was the largest aid donor of the EU, a position the UK has now taken over. In total volumes, aid has fallen by more than a third during the period covered. Other important donors include the World Bank, JICA and the Asian Development Bank.

It is the government's intention to integrate development assistance into the Five-Year Plans, but there is limited dialogue with central government concerning the overall policy direction, partly due to strong domestic ownership of the policy processes. This may also be a reason for many donors to focus on the state level, where the dialogue between state governments and donors may be more intensive and substantive. However, experience suggests that donors should be careful to balance the request for dialogue and influence with the need to respect domestic accountability and governance processes.²¹

There thus seems to be strong government ownership of the aid provided to the national budget, and on programmes implemented through the government channels (e.g. the education and health sector programmes), whereas central government is largely absent in donor co-ordination.

Instead, UNDP is assuming responsibility for donor co-ordination in certain areas, but it seems more appropriate to characterise this as information exchanges. Donor co-ordination among EU member states is also limited. The EU member states and the EC delegation meet regularly, and with a reduced number of bilateral donors this could be strengthened over time.

3.6. EC's India Co-operation Strategies and their Implementation

Co-operation between the EC and India dates back to the early 1960s, with India being one of the first countries to recognise the Community and establish trade relations. The first agreement of 1973 was purely on trade, being replaced with a Commercial and Economic Co-operation Agreement in 1982. Development co-operation had already been initiated in the early 1970s,

²¹ For example, in many aid-dependent countries, donor sponsored 'round tables' assume more importance and priority from government than domestic institutions such as parliament and standing committees, often worsening governance. See e.g. Bräutigam, D: *Aid Dependency and Governance*, Sida 2002.

with the EC contributing (initially, mostly in-kind) to a nationwide dairy project (Operation Flood, 1970-1996), together with the World Bank. In 1993, the EC and India signed a Co-operation Agreement on Partnership and Development, which reflected the already diversified relations between the EC and India. This document and the resulting 'India and the EC: Co-operation Strategy to the Year 2000' from 1994 form the starting point of this analysis.

Today, India and the European Commission are co-operating in a number of areas, ranging from trade to cultural and economic co-operation, and finally to development co-operation. An evaluation of the development co-operation between India and the EC has to take into account this wider context, not least because it makes questions of coherence, consistency and co-ordination of EC support more important and relevant.

3.6.1. Trade Co-operation

The EU is both India's main trading partner and biggest foreign inward investor. Trade between India and the EU has grown constantly since India put in place major structural adjustment reforms in 1991, as also illustrated in *Figure 9*.

Figure 9: India's trade with EU



Source: Eurostat

Given the importance of trade, both partners are active in encouraging and promoting even greater flows. Starting with the first summit between the EU and India in Lisbon in 2000, the business communities from both sides have capitalised on these events to organise parallel business summits to accompany the political events. In 2001, the 11th EU-India joint commission encouraged industry to launch the *Joint Initiative to Enhance Trade and Investment*. Since its inception, the initiative has examined trade and investment-related issues in different sectors, including manufacturing, textiles, IT and biotechnology. Recommendations from the initiative are submitted for official endorsements at subsequent political summits.

However, both the EC's 2004 Strategic Partnership document and the Joint Action Plan from 2005 call for substantially accelerated efforts, in the context of the WTO, within the area of trade and investment co-operation, both bilaterally and multilaterally. This is probably one of the areas where most activities are under preparation for the future, partly as a consequence of the EC's commitment to the Doha Development Agenda from 2001.

3.6.2. Economic Co-operation

India's economy has experienced strong, regular growth in recent years. In key sectors, such as ICT, India is emerging as one of the major global players. Strengthening economic relations between the EU and India is therefore an important element of EC foreign co-operation.

The joint commission, established in 1994 and based on the EU–India co-operation agreement, established a formal structure to map out the areas for co-operation. The work of the joint commission has, along with other initiatives, contributed to a series of joint initiatives and bilateral economic and trade agreements in areas such as:

- Civil aviation
- Maritime transport
- Science and technology
- Space industry
- Information technology and telecommunications (ICT)

Again, both the EC's 2004 *Strategic Partnership Communication* and the *Joint Action Plan* call for considerably more attention to be paid to economic co-operation. There also has been a diversification of the economic co-operation portfolio into, for example, cross-cultural co-operation.

3.6.3. Development Co-operation

Development co-operation was formalised in 1976, and since then more than € billion have been committed. The Co-operation Agreement of Partnership and Development from 1993 was the first formal strategy for inter alia development co-operation. The 2002 Country Strategy Paper governs the current development co-operation and EC support to India. At the core of the co-operation strategy is the support of key policy reforms of GoI in identified priority sectors, such as primary education and primary healthcare, with particular emphasis on the poorest and most disadvantaged groups in society.

3.7. Logic of EC Support and Internal Coherence

Because the approach of the European Commission towards India has changed over the years, the evaluation team decided to split the evaluation period in two, one for each of the main periods of development co-operation with India (for a graphic illustration see Annex 6) :

- The period from 1991-2001: There are two major reference documents: a) the 1994 Co-operation Agreement between the EU and the Government of India; and b) the 1996 Communication from the Commission on the EU-India Enhanced Partnership (COM (1996) 275)
- The period from 2002 until 2006: The main basis is: a) the 2002 Country Strategy Paper, laying out the EC co-operation strategy for the years 2002-2006; and b) the 2004 Communication from the Commission on the EU-India Strategic Partnership (COM (2004) 430). More recently the Joint Action Plan and related Joint Political Declaration on the EU – India Strategic Partnership have been adopted at the September 2005 summit in New Delhi.

3.7.1. The EC Intervention Logic Between 1991 and 2001

In the period preceding the signature of the current Country Strategy Paper at the end of 2001, the EC engaged in co-operation with the Indian government in a relatively wide range of sectors.

The intended longer-term impact of EC support during this earlier period was the reduction of poverty in India. The attainment of this global objective was thought to depend on a better and

broadened EU-Indian cultural understanding and an improved and sustainable management and use of natural resources.

The EC strategy to contribute to these impacts centres on five overlapping clusters of outputs, that is, the direct effects resulting from the implementation of EC-funded interventions or activities:

1. **An intensified political dialogue and increased activities directed at increasing cultural co-operation between Indian and European counterparts:** The underlying assumption was that these activities would lead to a more intensive and firmly-established political contact between the two partners, accompanied by an increased scientific, economic and cultural co-operation. This, in turn, was expected to lead to a more regular exchange of information on economic, cultural and social issues and to the increased opportunity for Indian counterparts to access EC know-how and technologies. The intensified contact between both parties, involving exchange of information and people, was supposed to lead to a broadened cultural understanding, as well as the improvement of the overall economic environment in India, and eventually to an increased and broadened (i.e. more inclusive) growth of the Indian economy.
2. **Through support to Civil Society Organisations,** the EC was expecting to enhance the dialogue and exchange among non-governmental counterparts in India and the EU, and also to increase the role and strengthen the function that these actors would play, particularly in the development of rural areas. Although not specifically mentioned in the EC documents, a more active role for CSOs could be expected to contribute to an increased participation or representation of the poor (and in particular of women) in the development of rural areas, due to an often stronger orientation of non-governmental organisations towards poorer/marginalised constituencies.
3. **The intensification, diversification and commercialisation of agriculture and agricultural production:** The EC approach with regard to agriculture was defined through a two-pronged approach, ultimately directed at stabilising rural livelihoods and improving food security in rural areas in the light of the ever-increasing pressure of a growing population on the traditional agricultural system in rural areas:
 - o Through a provision of financial and technical resources, the EC had initially intended to intensify and diversify agricultural production in rural areas, while at the same time increasing its long-term environmental sustainability.
 - o Convinced that the traditional agricultural production system itself would prove to be unsustainable in the long run, the EC also intended to support an increased commercialisation of agriculture, including an increase in investment, and enhanced national and international trade. The main thrust of the EC in this respect was the removal of barriers to trade and commercialisation, such as pricing structures, and the aligning of sanitary and phyto-sanitary standards (SPS).²²
4. **Support for the delivery of and access to social services, in particular education and health** for the most disadvantaged sections of the population was supposed to contribute to improving the productive capacity of the Indian population. It can be argued that the intended EC support to non-governmental organisations and their role and importance in rural development would have enhanced the prospects of reaching this goal. By strengthening the role that the poor and, in particular, women play in designing and influencing development processes, one can also potentially expect to increase the chances that the issues of education and health would be afforded the necessary attention, and that, consequently, these efforts really do translate into an increased productive capacity among marginalised groups.

²² However support to SPS only materialised under the Country Strategy 2002 to 2006, the Trade and Investment Support Programme being the main vehicle. Also the attention given to commercialisation of agriculture did not translate into strong operational focus in the projects.

5. Finally, by **supporting environmental projects in India**, the EC intended to reinforce and improve key institutions (legislation, standards, etc.) that were involved in ensuring effective environmental protection and conservation. The intention was to promote a reduction of pollution, in particular in urban areas, and to establish sustainable linkages between agriculture (i.e. productive activities in rural areas) and the environment. In addition, ‘environment’ had also been included in the strategic documents as a cross-cutting issue that should be considered and included in all areas of co-operation between India and the EC.

3.7.2. EC Intervention Logic Between 2002 and Today

The 2002 CSP still clearly focuses on the reduction of poverty, which is in line with the major global development policy statements of the EC. Also, the Commission has pledged to support the development strategy of GoI²³ that, at its centre, has the commitment to stimulate economic growth as a prerequisite for reducing poverty.

The EC intends to focus its support in four areas:

1. **Support to education**, in order to support GoI efforts to reform the education sector, and thereby to achieve its goal of providing universal elementary education. The expectation is that this will improve the quality of human resources (i.e. the human capital) available in India. Not clearly stated in the CSP, but nonetheless valid, is also the expectation that universal elementary education will contribute to an overall empowerment of currently marginalised groups to participate in the design, implementation and monitoring of development programmes.
2. **Support to the health sector**, in order to help GoI in completing its “Family Welfare System Policy Reform”. By doing this, the EC signs on to the goal of GoI to improve the quality of and access to health services, which is hoped to eventually improve the health status of the overall population, but in particular of currently vulnerable groups, including women and children. Again, it is reasonable to expect that these factors will also contribute to the empowerment of marginalised groups to participate more actively in public life in general and the shaping of development processes in particular.
3. **Support of economic reform in India** is supposed to aid the successful implementation of reforms, and thereby to contribute to a closer integration of India into the global economy and to the creation of an overall enabling environment for economic growth.
4. Finally, the EC intended to offer **support to establish networks fostering the increase in cultural, academic and professional exchanges** between India and EU countries, also with the aim of increasing the mutual cultural understanding between both partners and increasing the exchange of scientists and scientific expertise between the EU and India.

The CSP also stresses the intent to support India and GoI in restoring and safeguarding a healthy environment. However, environmental issues are addressed in the strategy only as “cross-cutting” issues that should become part of all the sectors in which the EC is active.

The expectation is that the support in the above areas will, by itself but also by creating valuable synergies between the different strands of co-operation, eventually contribute to the reduction of social exclusion and marginalisation of large portions of the population, an improvement of India’s human development status, and a strengthened equitable and sustainable economic growth.

3.7.3. A Comparison of Both Periods and Reflections on Internal Coherence

A comparison of the two periods allows a few observations to be made:

²³ As defined in the GoI’s five-year plans. More recently the Joint Action Plan and related Joint Political Declaration on the EU – India Strategic Partnership have been adopted at the September 2005 summit in New Delhi.

- The EC consistently focuses on the reduction of poverty in both periods. Policy documents in both periods stress the importance of stimulating economic growth as a precondition for poverty reduction.
- The EC support to the health and education sectors has remained consistent throughout the period. Both sectors figured prominently in the earlier period, and are even more important components of the current approach of the EC. One marked difference between the two periods is, however, that the EC has decided to channel its support to two key reform efforts of GoI in both sectors: (i) the reform of the education sector and the associated objectives (Sarva Shiksha Abhiyan), and (ii) the Family Welfare System Policy Reform.
- Support for the agricultural sector has given way to a more general support for economic reforms that are being promoted by GoI and which aim more generally at setting improved preconditions for the entire economy, not necessarily focusing on one particular sector.
- Environment, although mentioned in both periods as an important area for co-operation, figures less prominently in the recent strategy, as it is introduced only as a crosscutting issue.

Overall, the 2002 CSP seems to have increased the focus of the co-operation strategy of the EC. In particular, the support for key social sectors (health and education) that aims at increasing the chances of marginalised groups of the population to contribute to and benefit from economic growth seems, on a conceptual level, coherent with the intention of the EC to help India to increase the prospects for economic growth by supporting India's closer integration into the global economy. To the extent possible, the evaluators tried to assess if and to what extent the introduction of the CSP programming exercise has improved overall performance of the EC in its development support to India.

3.8. Implementation Modalities

Over the years, the EC has used a wide range of funding or implementation modalities in India:

- **Project aid**, responding to specific requests of the Indian government for funding of particular activities;
- **Programme aid**, channelling resources to a set of similar projects that all operate under a common conceptual umbrella;
- **Sector-wide approaches**, in particular with regard to the current support to the health and education sectors in India.

The EC is also working and co-operating with Indian partners on different levels:

- The traditional partner has been the **Federal Government of India**, which is the main counterpart in the various arenas of EU-Indian co-operation and policy dialogue.
- With the *Partnership for Progress* that is currently being prepared, the EC has for the first time undertaken to co-operate directly with selected **Indian states**.
- Finally, the EC is also funding Civil Society Organisations, in particular through its thematic budget line (NGO co-financing) but also under other thematic budget lines (e.g. human rights and environment).

The evaluation also took into account the variety of funding and implementation modalities applied.

3.8.1. Resources Committed to Different Sectors

The following paragraphs present an analysis of the EC's portfolio with regard to India, based on data contained in the CRIS Saisie database.

EGEval EEIG – composed of ADE (Belgium), Eureval-C3E (France) and PARTICIP (Germany)

Seen over the entire period (1991 – 2004), the EC has committed a total of approximately € 991m to development co-operation with India, including both the geographical commitments (ALA) and thematic budget lines. The sector with the largest share of resources clearly was education, having received close to 40% of the overall commitment (see Table 6). Health has received 25%, the second largest share of resources. Agriculture and rural development were each supported with approximately 10% of the total commitment.

It should be noted that Table 7 does not include project and programmes financed from thematic budget lines. These amounted to an additional €124m, mainly (€93m) from the NGO co-financing thematic budget line.

Table 6: Total commitments by sector, 1991 - 2004

| Sector | Total amount committed / contracted | Percentage of grand total |
|---|-------------------------------------|---------------------------|
| Education | 373,171,521 | 37.6% |
| Health | 249,773,751 | 25.2% |
| Agriculture | 100,921,121 | 10.2% |
| Rural development | 97,066,813 | 9.8% |
| Other emergency and distress relief | 25,691,264 | 2.6% |
| Transport and storage | 24,689,567 | 2.5% |
| Forestry | 24,126,406 | 2.4% |
| Other multisector aid | 16,243,394 | 1.6% |
| Trade | 13,677,200 | 1.4% |
| Water supply and sanitation | 7,393,961 | 0.7% |
| Government and civil society | 6,603,221 | 0.7% |
| Other social infrastructure and services | 6,087,879 | 0.6% |
| Multisector aid | 5,570,000 | 0.6% |
| Women in development | 3,973,326 | 0.4% |
| Banking and financial services | 2,337,602 | 0.2% |
| Energy generation and supply | 1,337,197 | 0.1% |
| Environment | 1,219,911 | 0.1% |
| Industry | 1,025,477 | 0.1% |
| Urban development and management | 503,436 | 0.1% |
| Business and other services | 226,896 | 0.0% |
| Developmental food aid/food security assistance | 64,964 | 0.0% |
| Not Specified | 29,911,875 | 3.0% |
| Grand Total | 991,616,781 | 100.0% |

Source: EC: CRIS Saisie, 2005

4. EVALUATION QUESTIONS FINDINGS:

The approach to the evaluation questions followed the standard methodology that the Europe-Aid's Evaluation Unit has developed both for country-level evaluations and for thematic and sectoral evaluations. For each question, one or more judgment criteria were formulated in order to answer the evaluation questions. For each judgment criterion, several indicators were established to direct the evaluation team in terms of data and documentation requirements. Details of the answers to the judgment criteria and indicators can be found in Annex 4 of this report. For the sake of brevity and analytical clarity, only the main findings and conclusions are presented here.

In agreement with the evaluation's Reference Group, eight evaluation questions were developed:

EQ1: Alignment and Relevance of the EC's Development Interventions

To what extent has EC development assistance been relevant and aligned to national policies and systems aimed at reducing poverty?

EQ2: Improving Access and Quality of Education

To what extent has the EC contributed to sustained improvements in access and quality of primary education?

EQ3: Improving Design of Pro-poor Health Services

To what extent has EC support for the health sector been designed with a view to improving the health status of vulnerable groups?

EQ4: Improving Performance of Health Services

To what extent has EC support contributed to improved performance of health services?

EQ5: Enhancing Trade and Economic Co-operation

To what extent has the EC promoted economic growth by assisting India in taking advantage of the trade and investment opportunities?

EQ6 Support to Environmental Sustainability

To what extent has the evolving EC support to the environment assisted India in balancing environmental concerns with the need for accelerated economic development?

EQ7: Support to Good Governance

To what extent has EC governance supported the potential for contributing to an improvement of governance in India?

EQ8: The 3Cs: Co-ordination, Complementarity and Coherence

To what extent has the EC's India strategy been complementary to, and co-ordinated with, actions with other donors, in particular EU member states, and simultaneously been coherent with other EU policies?

In the following sections of this chapter, the findings and answers to the questions are presented. These findings and answers are based on detailed evidence, analysis and assessments presented in the Judgment Criteria Fiches in Annex 4.

4.1. Alignment and Relevance of the EC Development Interventions

EQ1: To what extent has EC development assistance been relevant and aligned to national policies and systems aimed at reducing poverty?

4.1.1. Background and Rationale

All main EC policy and strategy documents have stated the need to be relevant in the Indian context by aligning to the overall policy framework, as formulated by GoI, in order to form partnerships for sustainable and domestically-owned poverty reduction initiatives. The Co-operation Agreement of 1994 and the 1996 Communication on the EU-India Enhanced Partnership both stressed the need to build on firm government policy commitment to sector-wide reforms, to which the EC would then contribute.²⁴ The current country strategy explicitly states that the overall objective is to support the official policy aimed at reducing poverty. This is also in line with the global policy commitments of the EC in the Rome (2003) and Paris (2005) Declarations on aid harmonisation and alignment.

The shift away from projectised aid to sector-wide approaches (SWAP) should be seen in this context as a method of aligning aid delivery modalities to those of the recipient, as well as a means of strengthening focus on pro-poor sector-wide policy reforms. Part of this assistance has been provided as sector budget support. The education sector was the first to benefit from sector-wide support from the EC (through the District Primary Education Programme), later followed by the health sector (through the Reproductive and Child Health Programme). However, traditional projects have continued, particularly in the area of environment and natural resource management, and in the support to democracy and human rights (mainly channelled through NGOs). Nevertheless, there is a clear and discernable shift in the chosen aid modalities in the EC's support to GoI, which the evaluation team judges to be an attempt to improve alignment and relevance.

In many developing countries, the key instrument on which external development partners seek to align their assistance is the Poverty Reduction Strategy Paper (PRSP) and, below that, sector-specific strategies. However, India has not produced a PRSP, instead convincingly arguing that its Five-Year Plans are more nationally owned than most PRSPs. Most donors, including the World Bank and IMF (the initiators of the PRSP exercises), have accepted that the Five-Year Plans can be used as substitutes for the PRSP, and the evaluation team has, therefore, also used the Five-Year Plan as the main macro policy reference document of GoI.

A key objective of aligning aid is often to ensure that the ensuing interventions are more demand-driven, which tends to enhance ownership and, consequently, also promote sustainability and long-term impact.

4.1.2. Findings

The team has evaluated this question against two judgment criteria: 1) Degree to which EC co-operation objectives support national priorities, as formulated in key policy documents; 2) Degree to which the EC has used domestic implementation channels for its development assistance interventions.

Concerning the **first judgment criterion**, the focus of EC support, through its programme and projects during the period under evaluation, has been consistent with the objectives of the Five-Year Plans of GoI. The latest three Five-Year Plans (the 8th, 9th and 10th) all stress the importance of rural development, primary education, health and family welfare programmes, poverty alleviation and meeting the needs of the rural poor, scheduled castes and tribes, women and children and other deprived groups in India. It is interesting to note, though, that the external

²⁴ The Co-operation Agreement provided the framework for bilateral co-operation between the EC and India, whereas the Five-Year Plans were (and are) clearly national strategies, to which the Co-operation Agreements may or may not align.

sector – including trade – and good governance was not a focus area in the 8th and 9th Five-Year Plans. In the 10th Five-Year Plan (covering 2002-2007), these areas received separate attention due to their importance in reaching the goals of the plan.

Another interesting factor is the lack of focus in the Five-Year Plans on human rights, which are explicit areas of interest stated in the Co-operation Agreement between the EC and GoI. It should be stressed, though, that already in the 8th Five-Year Plan (covering 1992-1997) there was, to a large extent, a focus on empowering the population through building local communities and organisations in ways that enhanced ownership of the programmes and projects. This, of course, can be seen as an implicit strengthening of democracy.

All the articles in the Co-operation Agreement are in line with the statements in the Five-Year Plans, albeit somewhat general at times, merely stating the frames for the co-operation, without specific restrictions or obligations on either side.

During the Eighth Five-Year Plan (1992-1997), EC-India co-operation included a significant proportion of rural development projects in the portfolio. These projects were, at objectives level, closely aligned to the Five-Year Plan, which place emphasis on the alleviation of rural poverty through higher productivity and enhanced participation of the poor in, for example, the (then) newly-established Panchayati Raj Institutions (PRI). However, at implementation level the projects at times had difficulties in operationalising these objectives, as their rather technical focus on, for example, irrigation and crop production tended to favour better-off farmers and districts, as it were mainly those with productive assets who benefited.²⁵ Again, most of GoI's own development schemes and projects shared the same characteristics and, as a consequence, also the same flaws.

The Eighth Five-Year Plan was also quite explicit on the need to strengthen the PRI. It stated that: "*Panchayati Raj Institutions are in existence in almost all the States and Union Territories but with considerable variations in their structure, mode of election, etc. However, Panchayati Raj Institutions suffer from inadequate resources, both financial and technical. In most of the States, they are not entrusted with enough powers and financial responsibilities.*"²⁶

While some of the rural development projects were started before the establishment of PRIs, others were not, and both had generally limited institutional integration into these permanent institutions, which was partly inconsistent with the stated strategy in the five-year plan. However, the EC was clearly not the only development partner being partly inconsistent with the national strategy at that point in time (even some GoI centrally-sponsored schemes violated this principle), and it was also rather quick to phase out such inconsistent practices.²⁷

The most significant programme of the EC during the Eighth Five-Year Plan was the District and Primary Education Programme (DPEP). The programme, as the name suggests, had the district as the focal point, a key tenet in the Five-Year Plan strategy for addressing the educational challenges, as previous studies had indicated that inter-district variations were more significant than the inter-State variations. Moreover, the State was seen as too large and variegated an area to serve as a homogeneous unit for educational planning. Therefore, educationally backward districts would be identified, and special inputs would be provided in proportion to the degree of backwardness. The DPEP did exactly this, and thus had a very high degree of alignment to the objectives of the national strategy, as formulated by the Planning Commission. This is not surprising, given that GoI was the driver in formulating the DPEP, which was and is generally not the case for stand-alone projects. GoI ownership (at central level, at least) of the

²⁵ See e.g. Court of Auditors: 'Special Report on the effectiveness of the Commission's management of development assistance to India' No. 10, 2003. See also the judgment criteria fiches on environment and rural development, which deal with these issues in detail.

²⁶ Eighth Five-Year Plan, New Delhi 1992.

²⁷ It should be noted that in the State Partnership for Progress programmes (scheduled to start in second half of 2006), the lower levels of government are supposed to benefit more directly from EC support.

programme was far more pronounced than in traditional projects. This clearly facilitated quick and smooth commencement of the programme. The successor to the DPEP, the Sarva Shiksha Abhiya, builds on even stronger GoI ownership and commitment. The same is true for the Health and Family Welfare Programme, which was the second sector programme supported by the EC.

The EC has thus increasingly aligned its projects and programmes to those of GoI. In particular, the two sector programmes have led to a strong and qualitatively deepened dialogue. The EC has been a pioneer in supporting such sector programmes, which allowed close integration of aid into domestic systems. The EC has gained significant respect in policy dialogue, with potentially far more widespread influence than any piecemeal project approach would have allowed for. This has clearly also improved the relevance of EC support, although attributing the impact of the EC's input (dialogue-wise or financially) is virtually impossible, as will also be argued below. The prospective for fully realising the potential of this partnership depends on the effectiveness and impact of GoI sector programmes. Here, the evaluation finds some areas for concern that will be addressed in questions 2, 3 and 4.

Concerning the **second judgment criterion**, relating to the use of domestic implementation channels, the EC has again pioneered. Increasingly, external development partners recognise the need to strengthen, and not by-pass, domestic implementation channels, such as by providing budget support. In India, the EC has been a front-runner in promoting this approach, starting as early as 1993 with the District and Primary Education Programme, which provided the bulk of its assistance as sector budget support. The early support from the EC had a catalytic role in encouraging other development partners to better align their assistance, and the impact was thus extended beyond that of the EC. This was later followed up by the health sector support programme, which also had a large element of sector budget support, as does the ongoing education sector programme, SSA. An analysis of financial data covering the period 1992-2005 (excluding the State Partnerships which are expected to start late 2006) reveals that 57% of all commitments have gone into sector budget support (excluding TA and other EC-earmarked contributions in the sector programmes), with a rising tendency. With the state partnerships, and the significant enhancements of EC contributions to the health and education sector programmes that are foreseen, this share is set to rise even higher, thus ensuring that the very early commitment to alignment and harmonisation is sustained and accelerated. According to current projections, the EC will thus be able to achieve the Paris declaration target of having at least 85% of aid flows to GoI being channelled through the budget.²⁸ Again, it should be noted that the EC, through its pioneering approaches in the education and health sectors, has probably promoted similar responses from other development partners, which further strengthens overall alignment.

The sector programmes (especially education) have also seen significant progress in having joint analytical and policy review processes, aligned to GoI. In this area, the EC has again been a pace-setter with the DPEP, which to a large extent built upon a joint understanding of the policy analysis (initially made by GoI) of the education sector. As other development partners also contributed to the programme, a process of joint review mission evolved, which lowered transaction costs and increased predictability. However, while this process clearly supports government-owned systems, it has also been criticised for being a rather politicised exercise, as the review reports can be tabled in parliament. This may have reduced their relevance as an instrument for critical (self) assessment. External/independent reviews are generally not encouraged.²⁹ While there is strong GoI ownership of the programme and significant alignment along its systems, the value and usefulness of the reviews may be compromised in as much as they are not fully used as opportunities to learn lessons and adjust the programme. Clearly, having an aligned and harmonised approach is only one step towards improved aid effectiveness. How

²⁸ This does not include assistance for non-aid activities such as economic co-operation, cultural and academic exchanges.

²⁹ Interviews with key education stakeholders. See also Jagannathan: 'Program Based Approaches and International Collaboration'.

effective centrally-sponsored government schemes such as the SSA are, is perhaps even more important.

For the rest of the EC's project portfolio, the degree of alignment is mixed, with some having traditional project structures (PMUs, project specific M&E systems and EC-driven reviews), whereas others have more aligned processes.

Finally, the provision of technical assistance has generally not been aligned to domestic systems, but rather followed the EC's procurement and contracting standards. This has not promoted GoI in developing capacity for contracting external assistance, and particularly in the education sector the EC-provided TA was not demand driven, provided little value added, and was generally not utilised as expected. All available reports and evaluations confirm these findings.³⁰ The decision to also include supply-driven TA and other so-called 'capacity-building' activities administered by the EC in the SSA is thus questionable, especially with GoI already having a Technical Support Group, which is charged with handling TA, utilising a demand-driven approach.

To sum up, the EC has been a pioneer in increasingly relying on domestic implementation channels learning from the experience of past projects and adjusting the implementation modalities accordingly. This has improved implementation efficiency, reduced lead times and, perhaps most importantly, aligned EC support to domestic monitoring and accountability systems. However, alignment issues remain with regard to technical assistance and EC-managed 'capacity-building' activities, which in some cases have not been demand-driven, nor have they been particularly effective.

4.1.3. Conclusion

There has been an early and increasing reliance on and alignment to domestic procedures, policies and plans, which have increased domestic ownership and commitment and reduced the aid fragmentation with its negative impact on capacity development.³¹ Indeed, the EC in India was arguably the pioneer in adopting the sector-wide approach at a very early stage. This has allowed the EC to have an early policy dialogue with GoI on more systemic issues relating to sector-wide reforms, which potentially have far more impact than any projects or programmes. The stronger alignment to government structures has also allowed for comparatively speedy implementation, as only one set of procedures had to be followed.³² However, it is important to realise that increased alignment and relevance does not in itself guarantee more pro-poor development outcomes, as that depends on the effectiveness of the government's programmes.

The technical assistance provided was not sufficiently aligned to domestic procurement and management structures, which would have also reduced the administrative burden of EC staff, thus allowing more effective and pro-active partnering. It would have also helped to anchor capacity within domestic institutions to utilise and engage TA. Such domestic institutions will continue to require TAs in the long run, independent of EC support and co-operation. In the education sector, such anchoring would naturally be in the Technical Support Group under MHRD/ GoI, not externalised in a PMU-style EC programme co-ordination unit.

The experiences gained in aligning development co-operation modalities may also hold valuable lessons for economic co-operation thereby improving effectiveness. In particular, the reliance

³⁰ See e.g. Arcadis: Final Evaluation of EC Support to DPEP; Karikorpi, M.: EC Programme of Support for Primary Education in India – Final Report and Jagannathan: 'Program Based Approaches and International Collaboration'.

³¹ See e.g. Knack, S & A. Rahman: 'Donor Fragmentation and Bureaucratic Quality in Aid Recipients', World Bank Governance Working Paper no. 3186, January 2004.

³² It is instructive to note the differences between the education sector programme (SSA), which has started smoothly and relied purely on GoI systems, and the health programme (FHWP), which had a very slow start, partly due to the sector programme being governed both by EC and GoI procedures.

on domestic systems in the identification, formulation and implementation process has reduced lead times and allowed for faster execution and disbursement. There may thus be a need to ensure stronger domestic participation - and, as a corollary, a reduced input from EC consultants - in both preparation and implementation.

4.2. Improving Access and Quality of Education

To what extent has the EC contributed to sustained improvements in access and quality of primary education?

4.2.1. Background and Rationale

The education sector is the singly largest beneficiary of EC assistance, at least in volume terms. More than €360m have been allocated to the sector during the last decade, mostly in the form of support to two sector programmes; the District Primary Education Programme (1994-2002, €150m) and the Sarva Shiksha Abhiyan (National Programme for Universal Elementary Education from 2001 to 2008, €200m). This equals 38% of all bilateral assistance granted to India during the period under evaluation.

The DPEP was arguably not a fully-fledged sector programme as commonly understood today, as there was no pooled funding and considerable earmarking of the funding provided. Also, the DPEP covered only half the total number of districts in India, the choice of districts being the ones with low female literacy rates and which had a willingness to engage in reforms. In contrast, the SSA provides sector budget support to the government, has no earmarking of funds, and covers the whole country (but excluding the booming private sector).

Nevertheless, there are considerable similarities. Key objectives of both programmes have been to develop national capacity to improve access and quality, and both programmes are supported by other external development partners. These two sector programmes form the core of the EC's support for education. In addition, the EC has also supported NGOs involved in education, most notably through the Programme for Enrichment of School-level Education (PESLE, €1m), which aims to improve the quality of school-level education in selected states of India by mainstreaming innovative small-scale experiments, with a particular focus on marginalised and disadvantaged groups.³³

In India, education is a “concurrent” or shared responsibility of the central and state governments. The central government's role is to set policy, stimulate innovation, and create a planning framework. Since the introduction of the 1986 National Education Policy and related Plan of Action (1992), the central government is committed to financing a portion of development expenditure in this sub-sector through Centrally-sponsored Schemes (CSS), such as the DPEP and the SSA.

4.2.2. Findings

The team has evaluated this question against two judgment criteria: 1) Degree to which EC interventions have assisted in improving the capacity of the Indian education system to increase access and enrolment of the poorest groups; and 2) Degree to which the EC's support has improved quality and learning outcomes, especially for the disadvantaged groups, including girls.

Concerning the **first criterion, access and enrolment** nationwide has generally improved for almost all groups, but from a very low basis and with continued gender, caste and tribal dispari-

³³ The programme was initiated by the Aga Khan Foundation (AKF) in India and has four programme partners; Aga Khan Education Services (India), Bodh Shiksha Samiti, Dr. Reddy's Foundation and Society for All Round Development. The EC has also supported other NGO projects related to education through the thematic budget lines.

ties that are only gradually being reduced and at a slow rate.³⁴ Indeed, India's educational standards are still among the lowest in the world, especially if comparisons are made on a state basis. Today, at every age, Bangladeshi girls have higher enrolment rates than Indian girls, although Bangladesh historically has had far worse educational and gender indicators than India.³⁵ This is even more remarkable considering that public expenditure on education in Bangladesh was only 2.3% of GDP in 2000, compared with India's corresponding figure of 4.1%, suggesting that additional funds and other supply-side interventions alone may be insufficient to address the problem.³⁶

Realising the importance of addressing educational shortcomings in a comprehensive manner, the two main EC-supported interventions have gone beyond merely 'building more schools' to also address such issues as pedagogical process and the formation of village education committees.

The DPEP offers the best potential to gauge the effectiveness and impact of EC support as it is now finished and was implemented in only selected districts. The latter allows for comparison between districts that benefited from DPEP support and those that did not. Just comparing the situation before and after programme intervention within DPEP districts would have obviously flawed results, given the rapidly changing context (e.g. accelerating economic growth).³⁷ Such a comparison was, however, never done under DPEP. The EC-sponsored evaluation also only compares the before and after situation.³⁸ Given that the total cost of DPEP amounts to approximately €1.5bn, the lack of methodologically robust evaluation of the outcomes is a cause for concern. Fortunately, outside researchers have conducted an evaluation of DPEP, where DPEP districts are compared to non-DPEP districts sharing the main socio-economic characteristics. They find that the net impact of DPEP (i.e. achievements in DPEP districts as compared to achievements in non-DPEP districts) amounts to an improvement of 1 percentage point on enrolment of all children. Similarly, there were small positive effects on SC and ST communities. However, the net impact on girls was negative, the non-DPEP districts demonstrating superior performance in increasing girls' enrolment than DPEP districts did.³⁹

The ongoing SSA also puts a substantial focus on enrolment, and recent reports suggest that the enrolment drive has been accelerated in recent years, with nearly full access in terms of children being in school and there being schools in every habitation. Expansion of access for children of all groups and habitations has been achieved primarily through building new schools, expanding existing schools by adding classrooms, and by spreading the net of Education Guarantee Schemes (EGS) and alternative school centres.⁴⁰ Available evidence indicates that the number of out-of-school children is dropping.⁴¹

³⁴ It should be noted that the Joint Review Mission of SSA from July 2005 states that SC and ST are now over-represented in primary schools. However their attendance rates and progression rates are still considerable lower than the India average.

³⁵ World Bank: 'Attaining the MDGs in Bangladesh' February 2005.

³⁶ Interestingly, a key factor contributing to reducing Bangladesh's educational gender disparities is the use of demand-side interventions, most notably the stipend system for girls' secondary education. See *ibid.*

³⁷ As is well-know educational outcomes are correlated to a number of non-educational factors such as household income levels. If these are rising, educational outcomes will also raise. See e.g. Filmer and Pritchett (1998): 'Estimating Wealth Effects without Expenditure Data—or Tears: With an Application to Educational Enrolments in States of India' World Bank Policy Research Paper no. 1994

³⁸ Mercer, Alexander, Ramachandran & Singh: 'Final Evaluation of EC Support to Primary Education in India', Arcadis, 2002.

³⁹ It should also be noted that only in Madhya Pradesh did DPEP improve enrolment for scheduled tribes. In total, the net impact was close to zero.

⁴⁰ See SSA: First Joint Review Mission, February 2005.

⁴¹ *Ibid.*

However, while the focus in both DPEP and SSA on ensuring enrolment may have instilled a sense of ‘mission mode’ among frontline providers, it has also had the effect of being an incentive to inflate enrolment numbers, as allocation of teachers and other resources rely on these numbers.⁴² Besides the allocation inefficiencies this may create, these figures may also be somewhat misleading as, for example, enrolment does not imply attendance. That figure is only 72.7%.⁴³ Finally, the degree to which the public sector (including DPEP and SSA) is responsible for the increases in enrolment is debatable. Recent official figures suggest that enrolment in government schools is stagnant, whereas private schools increase enrolment rates by 16% annually, even in rural areas.⁴⁴ Also drop out rates remain high with 12 million children out of school causing the NGO Pratham to argue that: ‘Almost 8 years of DPEP and 3 years of Sarva Shiksha seem to have had limited impact’.⁴⁵

It can also be questioned whether the construction of new schools is the most cost-effective way of increasing enrolment. While studies have shown that reducing the distance (and hence time) that pupils have to travel to the school increases enrolment, the effect was rather small and not necessarily pro-poor.⁴⁶ Other interventions, such as increasing demand, raising quality and improving teacher attendance, may often have a much more substantial impact on increasing enrolment rates sustainably.

Sustained high enrolment rates seems closely related to teachers’ presence in schools, as few pupils want to stay enrolled in schools where teachers are not teaching. Unfortunately, this is one area where little attention, let alone progress, has been made. A recent study, making unannounced visits to a nationally-representative sample of government primary schools in India, has shown that, nationwide, 25% of the teachers were absent from school, and only about half of them were teaching (*Figure 10*).⁴⁷ In Chhattisgarh, a state that has received EC support to the education sector both under DPEP and SSA, teacher absenteeism reached 31%. The rate of teaching activity among the teachers assigned to the schools was only 21% at the time of the visits.⁴⁸ This clearly suggests that there is a severe governance problem. Only one head teacher in nearly 3,000 public schools reported ever dismissing a teacher for repeated absence. In contrast, private sector schools participating in the same survey reported that 35 teachers had been dismissed, out of a total sample of only 600 schools.⁴⁹

⁴² See e.g. World Bank: District and Primary Education Programme. Implementation Completion Report, December 2003. This was also a direct observation during field visits of the evaluation team.

⁴³ Pratham: *Annual State of Education Report 2005*.

⁴⁴ GoI/DISE 2005 data reports that government schools *decreased* enrolment by 0.1% between 2003 and 2004, while private schools increased enrolment by 17%. Private schools now account for over half urban enrolment, whereas almost 20% of rural enrolment is in private schools. The Annual State of Education Report 2005 from Pratham estimates that only 75% of children between 6 and 14 years are enrolled in government schools.

⁴⁵ Pratham: *Annual State of Education Report 2005*.

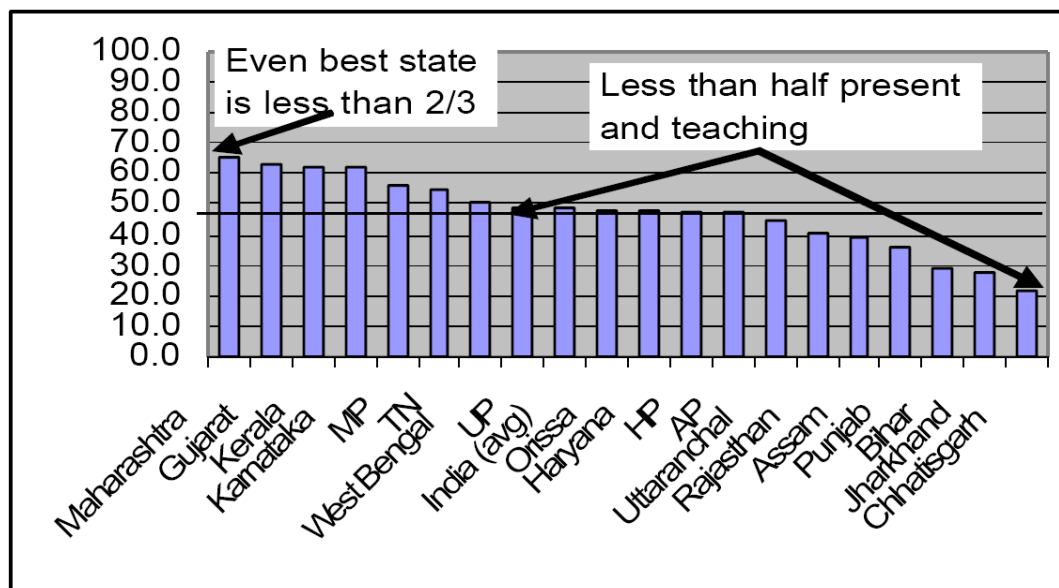
⁴⁶ Filmer, D.: ‘If You Build It, Will They Come? – School Availability and School Enrolment in 21 Poor Countries’, World Bank Policy Research Working Paper 3340, June 2004.

⁴⁷ Chaudhury, Hammer, Kremer, Muralidharan & Rogers (2005), ‘Teacher Absence in India: A Snapshot’, in *Journal of the European Economic Association*, Vol. 3, No. 2-3

⁴⁸ Chhattisgarh will also receive support through the State Partnership Programme once started. It is not clear from the Programme Document if and how such governance issues will be addressed.

⁴⁹ *Ibid.* It should be noted that low teacher salaries cannot be the main explanatory factor behind high absenteeism, as they are paid far above comparable levels in other developing countries and because private sector schools on average pay only a fraction of the public level, yet achieves lower absenteeism rates.

Figure 10: Percentage of teachers present and teaching during school hours



Source: Chaudhury, Hammer, Kremer, Muralidharan & Rogers (2005), 'Teacher Absence in India: A Snapshot', in Journal of the European Economic Association, Vol. 3, No. 2-3

This suggests that the main causes for the relatively modest success of the DPEP are the failures in what can be termed the 'accountability chain' (see also section 4.7 on governance) between service providers (e.g. teachers and educational managers), clients (e.g. students and their parents), and politicians (supposed to discipline service providers), which have not been substantially addressed either by the EC (which has generally refrained from discussing governance issues) or GoI.⁵⁰ The SSA continues many of the same approaches and activities, and while it is premature to judge the impact, it is nevertheless noteworthy that there are signs that the urgency of the matter is being observed. As stated by the second review mission:

"A review of the progress demonstrated by the districts that were supported under DPEP-I for over 10 years indicates that despite impressive progress, universalisation, even of primary education in all its dimensions, is yet to be achieved. In some of these districts, even enrolment is not universal, and in five districts drop out is still over 20 per cent. School effectiveness as a systemic issue, which is intimately linked with teacher absenteeism, is yet to be tackled in all its dimensions. The issue that emerges is - **if we want accelerated progress to ensure realisation of the SSA goals, does the solution lie in 'doing more of the same thing' or is there a need for reappraisal of the strategies and implementation mechanisms of different interventions?**"⁵¹

To sum up, enrolment and access have improved in EC-supported districts, but with less success than is generally asserted and without significant improvements in gender disparities as compared with districts not receiving assistance. While there is an argument for expanding access in some remote (often tribal) areas, the main issue for ensuring sustainable high enrolment rates appears only weakly correlated to the availability of additional inputs (such as schools, funds, and, nominally, teachers). Instead, a significant challenge still to be addressed is to make

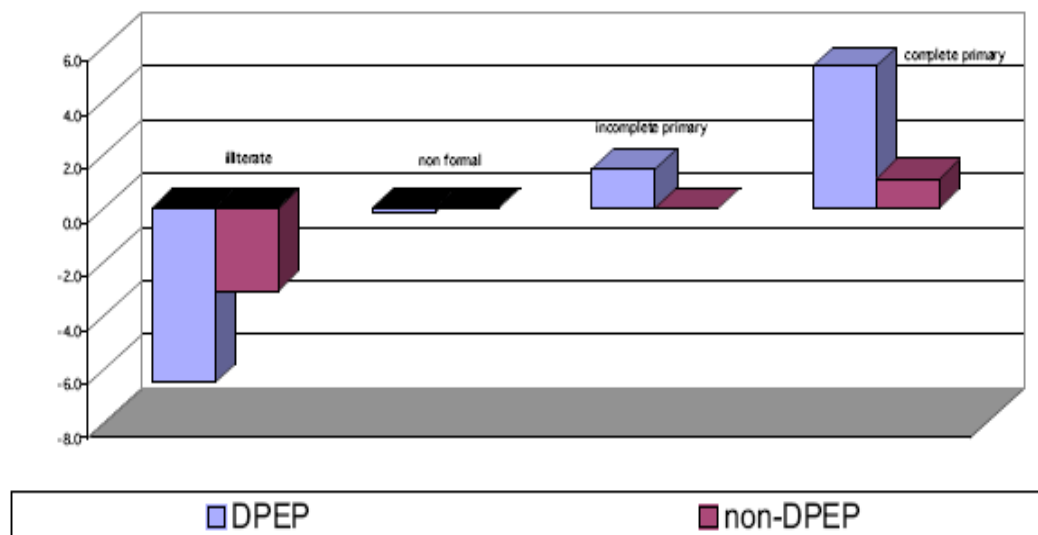
⁵⁰ Partly as a response, GoI has initiated a study on 'Time of Task' and a study on performance of para-teachers, the results of which are expected in the second half of 2006. However, whether two additional studies will fundamentally improve the situation remains to be seen.

⁵¹ Second Joint Review Mission: 'Aide Memoire', Delhi, July 2005. Original emphasis.

schools more attractive, such as by increasing quality and learning outcome, which is the subject of the next criterion.

The **second criterion** is on the degree to which the EC's support has improved quality and learning outcomes, especially for the disadvantaged groups, including girls. A key indicator related to this criterion is the level of completed schooling, which for DPEP is illustrated in Figure 9.

Figure 11: Change in level of education among all 11-13 year olds between 1993 and 1999



Source Jalan & Glinskaya, 2003

As can be seen from Figure 11, DPEP districts registered a drop in illiteracy levels of 7%, whereas non-DPEP districts saw a drop of almost 4%. More impressive is the change in levels of completed primary education, which increased by more than 6% in DPEP districts, compared with only marginal improvement in non-DPEP districts. This is clearly a major achievement of the DPEP.

However, disaggregated data from Jalan and Glinskaya (2003) reveal a more mixed picture of outcomes of DPEP. For girls aged between 11 and 13, the net impact on the education stock was at best zero and at worst negative (allowing for statistical uncertainty), suggesting that DPEP did not manage to improve gender imbalance over and above the changes that would have occurred regardless of DPEP. Consequently, boys were the main beneficiaries of DPEP. On the other hand, the level of primary education for children aged 11-13 from scheduled castes improved by more than 10% points compared with non-DPEP districts, but scheduled tribes in DPEP districts fared considerably worse (-9% points) than their peers in non-DPEP districts, the notable exception being that a higher proportion of scheduled tribe children had completed non-formal education.⁵²

Another indicator of quality and learning outcomes is cohort progression. DPEP has made a net increase in progression compared with non-DPEP districts (4% point difference), especially for scheduled tribes and castes. However, the *net* impact on girls' progression is negative, which is obviously contrary to the stated intentions of the programme.⁵³

⁵² However, this is not surprising as many of the DPEP states invested heavily in alternative school centres in tribal areas.

⁵³ Jalan and Glinskaya: 'Improving primary school education in India: An impact assessment of DPEP'.

For SSA and PESLE, there is no comparable data available, but increasingly SSA is addressing progression issues, as the strong increase in enrolment will have to be followed up by better progression rates.

The failure in DPEP and SSA to address and discuss the problem of teacher absenteeism and the associated problem of lack of teaching activity in the schools constitutes a serious omission, as this is one of the key barriers to improving quality learning outcomes.⁵⁴ In Chhattisgarh, for example, with only one in five teachers actually teaching during school hours, quality, retention, drop-out rates and ultimately learning achievements are bound to suffer.⁵⁵ Addressing this problem can be politically sensitive (e.g. resistance from unions and challenging vested interests), but is essential to improve educational results.

4.2.3. Conclusion

Over €bn have been invested in DPEP and SSA, of which the EC has contributed approximately €50m. As stated by Jalan and Glinskaya (2003):

“The unexpected element in our program impact estimates is not that we find positive impacts of the program on various outcome indicators for different sub-populations, but that the impacts are not as substantial as warranted by the substantial amount of resources invested in the program or as claimed.”

The degree to which the investment has been cost-effective obviously depends on which (subjective) criteria one applies, but it seems that the main impediment to achieving greater impact has been the limited progress in improving accountability of service providers. Efforts to address these issues were insufficient, and it is debatable if top-down, centrally-sponsored schemes such as DPEP and SSA are appropriate vehicles for addressing these key governance challenges. In the meantime, teacher absenteeism rates have remained unacceptably high, and the flight to private schools has accelerated further.⁵⁶ Much of the focus and attention has been on the delivery of inputs and pedagogical renewal, whereas the issue of enhancing local accountability systems and improving governance has been comparatively neglected.

4.3. Improving Design of Pro-poor Health Services

EQ3: To what extent has EC support towards the health sector been designed with a view to improving the health status of vulnerable groups?

4.3.1. Background and Rationale

The Communication from the Commission on the European Community's Development Policy (2000) outlines the new challenges for development and declares that “*improving the health of the poor is both a vital contribution to efforts to reduce poverty and a moral imperative*”. The communication also specifies that “*the development of social policies such as health is of the utmost importance to reduce poverty. Social sector policies aim at widening access to basic*

⁵⁴ In the First Joint Review Mission it was noted that ‘teacher absenteeism was not observed to be a significant issue (...) nor was it flagged as a problem’. Delhi, February 2005.

⁵⁵ The EC-supported state partnership programme, which also includes education, does not mention teacher absenteeism or educational governance as a problem.

⁵⁶ Data from District Information Education System for Education (GoI, 2005) indicate that between 2003 and 2004 enrolment in public schools fell marginally, whereas private enrolment increased by 17%. These findings are largely repeated in the National Sample Survey from 2007 which finds that private unaided schools continue to grow at the expense of government aided schools. Rural areas have seen a particularly large increase in the number of private schools in recent year. See Kremer and Muralidharan: ‘Public and Private Schools in Rural India’, Harvard University 2006. See also Kingdon, Geetha: ‘Private and public schooling: The Indian experience’, Oxford University 2005. However private schools also have governance problems although at a lower level, but nevertheless underlining the need to accelerate efforts to address this issue.

social services and social protection. Access to reproductive health care services, especially the prevention of HIV/AIDS, including research on vaccines and diagnostics, is an essential component. Resources must be properly targeted towards the poorest of the poor.”

The EC policy on health, AIDS, population and development emphasises the close relationship between poor health and poverty, and recognises the importance of improved health outcomes for economic growth and development. Health features prominently in the Millennium Development Goals (MDGs), in which three out of eight goals deal with health: 1) Reduce by two-thirds, between 1990 and 2015, the under-five child mortality rate; 2) Reduce by three-quarters, between 1990 and 2015, the maternal mortality rate; and 3) Halt by 2015 and begin to reverse the spread of HIV/AIDS, and the incidence of malaria and other major diseases.

Progress in India, which is home to about a third of the world's poorest people, is a key precondition for meeting the health-related MDGs globally. The EC has for more than a decade supported various health interventions, in partnership with the Indian government, culminating in 1998 with the support to GoI's Health and Family Welfare Programme (HFWP). Despite gains in the health status of the whole Indian population, polarisation of health conditions has increased, placing the burden of disease mainly on the poor. The poorest 20% of the population have more than twice the rates of mortality, malnutrition, and fertility of the richest 20%. A pro-poor design of health interventions is of utmost relevance in addressing the health aspects of the poor.

Prior to 1998, EC health interventions were relatively minor, concentrated within HIV/AIDS and reproductive health. The main EC support to the general health sector in India started in 1998 with the Health and Family Welfare Development Programme (HFWSO). The HFWSO programme has been designed as sector-wide approach. It is implemented in 24 States, four cities and 73 Districts. The objective of this EC contribution to the National Family Welfare programme (NFWP) is to provide “*system support to enhance central, State and District capacities to implement the Family Welfare system policy reform and the target-free approach*”. The Sector Investment Programme (SIP) envisages that at State level a 'State Reform Cell' and at District level a 'District Agency' will be created to assume responsibility for the health and family welfare services. These bodies will develop State Action Plans (SAPs) and District Action Plans (DAPs). SAPs are to be approved by GoI, and DAPs by the State. State and District Plans may include a variety of activities, aimed at the enhancement of health services, but basically they should be of a 'reformist' nature.

In addition to these District- and State-level activities, a series of activities are being funded at the national level (though most of these activities are ultimately also carried out in the participating States and Districts). Mostly as a result of the delayed start of the one-year Programme Preparatory Phase, the evaluation of this phase, and replacement of the European Commission Technical Assistance's (ECTA) team leader, the actual implementation of the SIP did not gain momentum until early 2001. Since December 2001, the programme also includes a component of 'redevelopment' of health facilities that were destroyed or damaged by the earthquake in Gujarat in January of that year. 'Redevelopment' of health care services facilities is understood to mean “*reconstruction and accelerated reforms in accordance with the SIP Document*.” This component only commenced in early 2002, because a utility survey had to be conducted before plans for new facilities could be made.

The Financing Agreement (FA) was initially valid until December 2004; in 2001, however, it was extended until December 2005, to accommodate the Gujarat post-earthquake reconstruction component. In order to bridge the current and a future EC health programme, another extension till December 2006 was approved. Similarly, the TA component of the programme was extended from September 2003 to September 2004, and again to December 2005.

4.3.2. Findings

The evaluation question was judged against three criteria: 1) increased priority, in the design of EC support, for states and districts most in need; 2) increased priority, in the design of EC sup-

port, for population groups most in need; and 3) degree to which design of EC support has considered gender in health .

Although the aim of the Health and Family Welfare Programme (HFWP) was to strengthen the capacity of the health system to focus on the most deprived segments of the population, planning documents (e.g. Financing Agreement, Programme Preparation Phase document) made no reference to health status differences between or within states. The mission could not find documented evidence that the selection of Districts in State Action Plans has been based on health indicators. Implementation plans at State and District level made no reference to the health status of specific groups or areas. Instead, the selection of States and Districts was based on the assessed ability of States to be “movers” towards Health Sector Reform⁵⁷. However, a Memorandum of Understanding (see 4.4.2) between States and national health authorities was designed so that 50% of the undisbursed amount as of March 2002 would be allocated to eight States with higher rates of population growth⁵⁸. It can be argued that higher population growth and poverty are closely associated, and that this would thus be a more or less explicit pro-poor choice. To what extent this allocation has been realised in terms of expenditure could not be confirmed by the evaluation mission.

The mission noticed the existence of poverty analyses at District level. However, these were not used for planning in the health sector. A review of the substantial number of documents produced by the TA team did not reveal attention to “pro-poor” planning at State or District levels. The only reference to the poor was found in a working paper on user charges⁵⁹, which lists the possible considerations for fee exemption. Throughout the programme, it apparently has been assumed that public medical health services will automatically cater for the poor and that decentralised planning will be needs-based, and thus provide specific focus on the most needy. However, two recent studies indicate that the non-poor benefit most from improved publicly-funded medical services, although the poor might still benefit at a later stage⁶⁰.

Under the programme, the poor are supposed to receive free health care by presenting a Below Poverty Line (BPL) card. However, anecdotal evidence from reviews of registration books in health centres showed that the number of BPL, and thus fee exempted, patients was below 5%. This review is obviously by no means representative, but it might be a worrying illustration of a universal trend that subsidised services are often not used by the targeted groups⁶¹.

The 2003 Court of Auditors report concludes that “*although no clear targeting of the poor was formulated in its design, an overall improvement of the public health system is expected to benefit poor people*”. It notes that “*during implementation, measures were taken to direct the programme towards specific disadvantaged parts of the country, for example, certain States with poor health indicators or urban slum areas*”. But the report adds that the Terms of Reference for the monitoring component, under which regular reviews are to be carried out, contain no reference to specific targeting objectives.

In a reaction to the evaluation mission's considerations, the EC Delegation provided several examples of “explicit pro-poor interventions”, such as the provision of generic (and thus cheaper) medicines, health camps for the poor, outreach services, community awareness, and motorboats to reach the poor. Whether these initiatives have reached the poor remains uncertain, as no monitoring has been carried out.

⁵⁷ ECTA Technical Notes 2003/9.

⁵⁸ These are the so-called Empowered Action Group (EAG) States which registered higher population growth during the 1991-2001 decade.

⁵⁹ ECTA Working Paper 01/47.

⁶⁰ Reaching the Poor, Davidson R. Gwatkin, Adam Wagstaff, and Abdo S. Yazbeck, World Bank 2006.

⁶¹ An associated observation is that the HFWS programme neither has a mechanism in place to monitor utilisation of by the poor, nor has it introduced such a mechanism as part of capacity development for States and District health services management.

Despite the planned 50% allocation of funds to States with the highest population growth, the absence of explicit “pro-poor” geographical focusing is confirmed in the final ECTA report⁶², and it recommends under ‘lessons learnt’ that the geographical focus should be on the weaker States with poorer health indicators and a higher proportion of deprived and vulnerable communities. It recommends that future EC support should focus on the 18 states on which the new national health policy *National Rural Health Mission* (NRHM) also focuses⁶³.

The design of the programme was biased towards the management and operation of clinical health services⁶⁴. The concept of public health as “reducing exposure to disease” and an analysis of causes of disease⁶⁵ are not reflected in the various programme documents. As a consequence, the State and District situational analyses and plans reviewed by this mission centre on clinical medical services management and do not go into the causes of illness. The conventional public health principle of inter-sectoral co-operation was not operationalised in the programme’s guidelines for public health managers at the level where all sectors come together, the District and below despite the fact that many major causes of illness have been widely discussed, not only in the professional publications, but also in the general media. The health aspects of unsafe water, wastes of the chemical industry, pesticides used in agriculture, air pollution in large cities and, for example, the major health effects of the world’s largest ship breaking industry in Gujarat are front page issues. The District health authorities interviewed did not consider these occupational and environmental health issues as their prime responsibility, despite the fact that such interventions may be more cost effective than additional investments in clinical medical health services⁶⁶.

The basic documents of EC support to the health sector and of the HFWS programme focus on the implementation of the core component of the national health policy, namely the Reproductive and Child Health (RCH) Programme. This programme promotes the decentralisation of family planning services and basic preventive and curative health services, mainly through the public health system⁶⁷.

The HFWS programme aims to support a range of interventions that address gender inequality. In addition, the programme has contributed significantly to the formulation of the successor programme, RCH2, which has taken up various new initiatives to address gender. The Accredited Social Health Activist (ASHA) component will train and support community health workers, who are expected to pay considerable attention to women’s health needs⁶⁸. A CHW initiative has been piloted under the HFWS programme, “Mitani” (in the State of Chhattisgarh) and “Sanjeevani” (in the State of Haryana). Several shortcomings of the ASHA design were addressed by the HFWS programme. Although the focus on women’s health is laudable,

⁶² ECTA, Final Report, January 2000 to July 2005, EPOS led consortium providing TA.

⁶³ The HFWS programme has explicitly addressed “pro-poor” planning through its influence on the formulation of the NRHM. This comprehensive health policy has several decentralised planning processes that look at most disadvantaged groups in the population. In addition, it focuses on the 18 most deprived States.

⁶⁴ The only reference made to causes of ill health is in a theoretical brief on inter-sectoral co-operation that confirms the important role of girls’ education for reducing the infant mortality rate.

⁶⁵ As for example in the World Development Report, World Bank, 1993.

⁶⁶ A recent review article entitled “Public Health in India: Dangerous Neglect”, by a senior World Bank staff member, confirms this observation of a very narrow focus by health authorities in India on medical services and an absence of due interest in public health in its wider sense (EPW, 40-49 Perspectives, Monica da Gupta WB, December 3, 2005).

⁶⁷ The RCH used gender analysis for some of its projects (ECTA WP 2003/65, concept paper on PPP for the design of RCH2).

⁶⁸ The concept of Community Health Workers (CHW) is rather controversial in the current international policy debate (Health Policy and Planning 16(3):221-230, Community Participation in Health, Perpetual Allure, Persistent Challenge, Morgan L.).

there seems to be little attention in the approach to the situation of men in this approach. Obviously, the role of men, especially in the more traditional segments of society, is crucial in addressing women's sexual and reproductive health rights⁶⁹.

Despite these relevant gender issues addressed by the programme, a gender analysis has not been systematically used in the planning process. In addition, gender has not been prominently present in the capacity development strategy formulated by the programme. This is reflected in the District plans reviewed by this mission, where gender is limited to women's health issues.

4.3.3. Conclusions

The EC-funded HFWSO programme has been successful in assisting the decentralisation of State and District health services. It has also made a significant contribution to policy formulation, as is reflected in the new national health policy (NRHM), which has real potential to address the health of the poorest segments in society. However, little attention has been paid to explicit pro-poor planning of interventions, and even less to monitoring whether the poorest segments of society were reached. In addition, interventions have been limited to medical services. The assumption made by the programme that public medical services will be, by definition, pro-poor is highly questionable, especially in areas suffering from governance problems affecting the delivery of public medical services. Nevertheless, the current attention by GoI and development partners on district health services has provided a basis for further development of public health governance beyond the provision of medical services.

4.4. Improving Performance of Health Services

EQ4: To what extent has the EC support contributed to improved performance of health services?

4.4.1. Background and Rationale

Refer to 4.3.1.

4.4.2. Findings

The criterion by which this question is evaluated is the degree to which EC support to a comprehensive approach to capacity development, covering all the health system's aspects, has led to improved organisational capacity for decentralised health services.⁷⁰

The HFWSO programme has developed a novel approach to capacity development⁷¹ recognising that capacity-building should go beyond the usual training of health staff. The approach includes a systematic analysis of weak elements of the health system that need to be strengthened, and identifies a pyramid of nine separate but interdependent system components. These form a four-tier hierarchy of capacity building needs: (1) structures, systems and roles; (2) staff and facilities; (3) skills; and (4) tools.

The approach has been used in the programme as a planning instrument for the formulation of State and District plans. The targets of the Memorandum of Understanding between States and

⁶⁹ Under the HFWSO programme, considerable attention has been paid to the widespread practice of abortion when the foetus is female. The foeticide has resulted in an alarmingly skewed gender balance. Recent research indicates that about 10 million pregnancies with a female foetus have been aborted over recent years. This has many gender consequences beyond the issue of safe abortions.

⁷⁰ The analysis in this chapter is limited to the public medical services that the EC-funded programme has focused on. Its limitations, as discussed in EQ3, will not be repeated here.

⁷¹ Health Policy and Planning; 19(5): 336–345, 2004; Systemic capacity building: a hierarchy of needs, Christopher Potter, Richard Brough.

the National health authorities, on which EC funding is based, were also defined with its help. These targets are performance-based, in that lower-level targets need to be met before capacity development efforts in the next tier will be funded. This funding -modality, with untied EC funds, has led to an enormous change in the planning and implementation practice, which hitherto had been expenditure focused. The instrument has not only guided the EC investments during the programme period, but has also anchored the concept of capacity development as going beyond training in the general health system.

Besides training of District health authorities, the HFWSO programme has not been directly involved in human resource development for health services. In the programme's many papers and documents, the topic of human resource development is hardly mentioned. However, through the decentralisation process in which the HFWSO programme played an important role, room was created for State and District health authorities to develop various initiatives to recruit and retain staff, and to increase and maintain their skills and knowledge. These initiatives range from various training programmes to incentive schemes, including renovated staff houses for health workers.⁷²

The HFWSO programme's support to the decentralisation process and to the planning and implementation capacity of State and District health authorities has led to better-defined roles and responsibilities. This is not only recorded in various documents, but was also confirmed during the mission's field visits to State and District authorities. It should be noted again that roles and responsibilities were strictly limited to medical services management and fell short of public health roles that are accepted best practices in most other countries. Another remarkable shortcoming in the definition of roles and responsibilities was that District health authorities did not assume responsibility for guiding and co-ordinating health activities of all providers⁷³.

Two new sets of roles need to be mentioned here. In the first place, there is the merger of the various management structures for previously vertical health programmes in one body ("society") at District level. The comprehensive responsibility of this body will most probably contribute to a more co-ordinated and coherent, and hence probably more efficient, health service in the Districts. At health facility level, committees have been formed, with the responsibility of managing its operation and promote its use. Funds from programme sources and user fees can be used at the committees' discretion.

The introduction of MoUs between the States and Central Authorities was instrumental in the programme's operation and success. The MoUs formed the basis for State and District planning processes. They established a sequence of activities based on the hierarchy of capacity-building needs. Technical assistance provided by the programme to State and District authorities has assisted the formulation of district health plans. The plans reviewed by this evaluation in Gujarat and Haryana showed a strong limitation to government health services and did in some cases not map out the vast private sector, despite the programme's intention of promoting a public-private mix of health services. In spite of these shortcomings, the programme has facilitated the piloting of various public-private initiatives, such as the short-term contracting of medical specialists to carry out part-time tasks in public facilities where full time employment would not be efficient. In other instances, private providers are contracted by District authorities to take care of obstetric emergencies.

The crux of the health sector reform and its decentralisation component is to combine the devolution of responsibilities with the transfer of the necessary financial means to really take up the new tasks. The HFWSO programme has played a crucial role in the decentralisation process by providing budgets to participating Districts, based on plans developed by the District authorities in addition to the existing, rigid expenditure-based funding from State and national level. This

⁷² Policy reviews on human resource development in three States were mentioned, but no details could be obtained by the evaluation mission.

⁷³ One of the documented problems in the health sector is that the private health care providers are barely regulated.

allows a first experience with budgets that are 'owned' by the Districts and that are linked to performance-based funding mechanisms. The current degree of District authority is still limited, with the bulk of the funding still coming through traditional channels. However, it is expected that future funding, such as under the new national health policy (NRHM), will follow the newly-developed mechanisms piloted under the HFWSO programme⁷⁴.

While the programme has made significant strides in developing capacity of public medical services, there are still issues that have not been addressed and that continue to limit the capacity of the public services. One significant and politically sensitive issue is the widespread absence of staff in primary health centres (40% on average, with even higher rates in poorer states⁷⁵). The poor face significant obstacles in getting quality services, and frequently even have to bribe health staff to get supposedly free medicine⁷⁶. Overcoming such governance problems will require fundamental changes to the incentives on frontline providers and needs to be systematically addressed.

4.4.3. Conclusion

The HFWSO programme's investment in roles and functions of health authorities and in physical facilities has most probably improved the performance of health services that were previously often seriously dilapidated⁷⁷. At the same time, the current health management information system cannot provide data on the poverty orientation of the health services provided by the strengthened and renovated health centres. It is therefore unclear if these facilities are addressing previously unmet health needs⁷⁸ or if they are simply competing with health services offered by the vast private sector⁷⁹. The HFWSO programme has not sufficiently addressed this shortcoming and has not carried out "pro-poor" monitoring, to determine to what extent the investments are benefiting the poorest of the poor. While significant progress has been made in capacity development, governance problems in the public provision of health services have not yet been targeted effectively, in particular in poorer states.⁸⁰

4.5. Enhancing Trade and Economic Co-operation

EQ5: To what extent has the EC promoted economic growth by assisting India in taking advantage of the trading and investment opportunities?

4.5.1. Background and Rationale

Since the implementation of trade reforms and market liberalisations in the early 1990s, India has experienced growth rates averaging 6% annually. Maintaining and possibly accelerating

⁷⁴ District authority on personnel issues was limited, as State authorities play a major role in the complicated bureaucracy of health personnel. However, as indicated in previous paragraphs, local authorities have taken initiatives to improve staff welfare.

⁷⁵ Chaudhury, N.; J. Hammer; M. Kremer, K. Muralidharan, and F. H. Rogers: 'Missing in Action: Teacher and Health Worker Absence in Developing Countries', *Journal of Economic Perspectives* (forthcoming 2006).

⁷⁶ Das, Jishnu and Hammer, Jeffrey S. S., "Money for Nothing: The Dire Straits of Medical Practice in Delhi, India" (August 2005). World Bank Policy Research Working Paper No. 3669.

⁷⁷ The initial situation was even worse in Gujarat due to the effects of the devastating earthquake.

⁷⁸ Such as responding to obstetrical emergencies that, if untreated, are closely associated with high maternal mortality rates.

⁷⁹ The investment in these facilities is only justified if they provide additional care opportunities to those people who would otherwise be deprived of services.

⁸⁰ The programme has made some initial attempts to address some issues of financial management, including more training and reorganisation. However, no hard evidence on the impact on governance was available.

such growth rates is a precondition for reducing poverty sustainably. The EU is India's main trading partner and has thus a unique opportunity to assist India in taking advantage of the bilateral trading opportunities, but also more generally in integrating India better in the world economy by promoting increased investments. Trade volumes have grown substantially, but India is only the EU's 12th largest trading partner. The total volume is €3bn (2004), which is less than Korea (€48bn), and China, which is more than five times higher at €175bn. There is thus still a significant but yet untapped potential for expanding trade.

Direct EC support to trade and economic co-operation has been relatively minor compared to support for social sectors and poverty reduction. According to CRIS Saisie data, only 4% of all funds have been allocated to economic co-operation (broadly defined) during the evaluation period. The main projects and programmes that have been subjected to closer assessment by the evaluation team are Asia Invest (phase I of this regional programme started in 1997 and phase II in 2003, scheduled to end in 2007) and the Maritime Transport Project, which started in 2000 and ended in 2003, totalling €10m, of which the EC contributed €8m. The EC and GoI have just started the implementation of the Trade and Investment Development Programme (TIDP), which is scheduled to be implemented over a five-year period, with an EC contribution of €13.4m.

Finally, qualitatively different types of programmes are being promoted with the aim of fostering broader and more pluralistic relations between EU and India, and not confined to 'traditional' economic or development co-operation. These include the Economic Cross-Cultural Programme and the Erasmus Mundus.

4.5.2. Findings

The question is judged on the criterion of the degree to which the EC's interventions have facilitated increased trade, investments and economic growth. The evaluation team has not made any attempt to quantify the impact of general EC policies, most notably trade, common agricultural policies and food safety, as this would arguably merit in-depth studies of a magnitude far exceeding the resources available to the evaluation.

The specific interventions evaluated include regional programmes and India-specific interventions. The most well-known regional programme is arguably Asia Invest, which India has benefited from since its commencement in 1997, but others include Asia Information Technology and Communications (Asia IT&C) programme and Pro-Eco, an environmental programme that aims to strengthen environmental dialogue between Asia and Europe through the exchange of policies, technologies and best practices that promote more resource-efficient, market-driven and sustainable solutions to environmental problems in Asia.

Generally, these regional programmes have had relevant objectives, but a common performance-related problem has been the "*inappropriately high level of bureaucracy inherent in the award of grants utilising the EC's Practical guide to EC External Aid management and the original design faults of the programme*".⁸¹ Partly as a consequence, the EC is now rationalising these programmes, closing and merging several of them.⁸² More direct support to EU and India companies has been provided through support to the Council of European Union of Chambers of Commerce in India (CECCI) and by funding the establishment and operation of a European Business Investment Centre (EBIC, financed from Asia Invest funds) from 1995 till 2002. The fate of EBIC illustrates the difficulties in providing support to businesses, as several member states are doing exactly that on a fee basis. These member states were critical of the services rendered both by EBIC and CECCI, which they considered, partly at least, to be competitive

⁸¹ Global Partners: 'Mid-term Review of the Asia-Invest Programme' Brussels March 2002.

⁸² This was laid out in the: 'Strategy Paper and Indicative Programme for Multi-Country Programmes in Asia – 2005-2005' Brussels, 2004.

with their own services.⁸³ Also, CECCI became involved in managing Asia Invest projects and gradually attention from the core objective of serving their members shifted towards managing EBIC and Asia Invest projects. CECCI was consequently in serious financial difficulties when EBIC was closed in 2001. However, according to CECCI, the crisis resulted in a much-needed reorganisation, which reconnected it with its members and refocused its operations on core activities.⁸⁴

Bureaucratic bottlenecks have unfortunately not been confined to regional programmes. The EC-India Maritime Transport Project was conceived after the economic reforms of 1991, whereby port efficiency was (correctly) identified as a bottleneck. In 1994, the Terms of Reference for the project were finalised, but only in 1999 was a MoU signed. Actual project implementation started in late 2000 and ended in December 2003. All training, which was a substantial part of the project, was delivered only in the last three months of the project. The total project cost was €10m, with EC contributing €8m. This made the project the largest intervention within economic co-operation at the time of signing the MoU.

While the project may have been relevant when it was conceived in the early 1990s, this relevance was severely reduced as project implementation was delayed by almost a decade. Realising the need to fundamentally improve port efficiency, the Indian government in 1996 decided to allow the private sector to construct and operate ports themselves, thus introducing competition to the public ports. This has clearly been the key driver of efficiency improvements in the Indian port sector, which rendered the effect of EC support on the divergent performance of the ports somewhat insignificant. The government-run container port that the EC has supported under the Maritime project is now competing with privately-operated ports (including ports run by EU companies). This clearly calls for more timely responses and execution, which should substantially reduce the time-lag between project conception and implementation.

In contrast, much smaller and precisely targeted interventions, such as the training of individual GoI staff in food safety and phyto-sanitary standards, have been effective, relevant and well-appreciated, but obviously the impact and the funds involved have been rather small. However, the issue of SPS will be addressed more systematically in the TIDP, which is highly relevant and demanded by Indian authorities and businesses. More generally, the TIDP, despite being delayed, seems have identified well-chosen areas that are not competitive with either the private sector or the export promotion services offered by member states, something that the now closed ECIC was not able to do.

Finally, under the heading of economic co-operation, innovative programmes are being planned and implemented. These include the Economic Cross-Cultural Programme and the Erasmus Mundus programme and are very appropriate responses to the need to reflect the increasing diversity of EU-India relations, with the potential for high and sustainable visibility. These activities are very consistent with the recent upgrading of the EC partnership with India, and are a highly appropriate translation of the intentions into concrete actions.

4.5.3. Conclusions

The global trade and investment policies of both India and the EU (including GSP) have, over the evaluation period, allowed for dramatic increases in bilateral trade and investment volumes. This has had a tremendously positive impact for EU and Indian businesses and consumers, and it has played an important part in raising economic growth rates, which is a key prerequisite for effective and sustainable poverty reduction. Sustaining such high rates of growth will be important for continued progress.

⁸³ This has been a consistent criticism already in the process of establishing EBIC. See note dated 29/4 1994 from Theoleyre, F.: 'Establishing an EBIC located with the Council of EC Chambers', and also ACE Consortium: 'Evaluation of EBIC India' October 1997.

⁸⁴ Personal communication with Secretary General of CECCI, 5 December 2005.

The relatively few and fragmented interventions have not fundamentally altered trade and investment flows or the policy environment. The projects and programmes have generally been relevant at design stage. Delays by procedural and administrative obstacles reduced relevance and impact, but there are signs that these constraints are being addressed as, for example, the Civil Aviation Project is progressing according to plan. Past experience would nevertheless suggest that complex multi-ministerial interventions, as well as interventions primarily driven by Europeans, can reduce both effectiveness and impact.⁸⁵

Under the economic co-operation heading, different types of projects and programmes are promoted, including cross-cultural co-operation, academic/scientific exchanges and a host of other activities. They are highly appropriate responses to reflect the increasing diversity and maturity of EU-India relations, with the potential for high and sustainable visibility. These activities are consistent with the recent upgrading of the EC partnership with India, and are a highly appropriate translation of the intentions into concrete actions.

4.6. Environment and Rural Development

EQ6: To what extent has the evolving EC support to the environment assisted India in **balancing environmental concerns** with the **need for accelerated economic development**?

4.6.1. Background and Rationale

The concern for the environment features prominently in all strategic policy documents covering the period from 1994 until 2004. At the same time, the approach of the EC to supporting environmental conservation and protection has changed over the years:

- The 1994 Co-operation Agreement and the 1996 Communication (COM (1996) 275) on the EU-India Enhanced Partnership envision EC support for concrete areas, including sustainable forest management and sustainable management of natural resources in general, prevention of industrial pollution. In addition, 'environment' is also introduced as a cross-cutting issue to be taken into account in all other areas relevant to the EU-India partnership.
- In the period after 2002 (upon drafting of the new CSP), the EC has concentrated its support on a smaller number of sectors, and addresses 'environment' or even "natural resource management" only as a cross-cutting issue (along with human rights, democratisation and gender) to be integrated in each of the priority areas. This applies to the federal level (i.e. co-operation with the centre), as well as for co-operation envisioned under the (not yet started) state-focused "partnership for progress". The rationale behind this approach is that environment "*will be developed as a cross-cutting component, thus grounding the sectoral work on sustainable development parameters*". Or, as expressed in connection with the partnership for progress, 'environment' will be developed as a cross-cutting component.

This evaluation question examined what effect this shift in strategy has had on the treatment of environment in the EC development co-operation strategy. The evaluation team collected evidence on the outcomes of the earlier environmental projects and contrasted this evidence with an analysis of the extent to which 'environment' has in fact been mainstreamed in the sector activities of the EC. It was examined to what extent the evolving strategy in the environmental sector has helped India to find a sustainable balance between needed economic growth and the necessity for restoring and safeguarding a healthy environment. The analysis looked in particular at the effects EC support in this sector has had on the poor.

⁸⁵ It should be noted that the evaluation team has not made any detailed assessment of the effectiveness of using centralised/decentralised project management modalities as this was not requested by the Reference Group during design phase.

4.6.2. Findings

EC support to rural development and environment has helped to sustain and increase the economic potential of direct project beneficiaries, but failed to make a wider impact on the economic situation of rural poor and other groups in India. The satisfaction of those who were direct beneficiaries of project interventions was generally high⁸⁶. Community members who had benefited from EC-financed rural development projects reported increased agricultural yields, income from animal husbandry, etc. Beneficiaries also reported a considerable reduction of seasonal migration, thanks to the higher income-earning potential in their communities. Land-owning beneficiaries gained economically primarily from increases in agricultural yields due to irrigation and soil fertility improvements,⁸⁷ and the diversification into cash crops such as fruits or beans. EC-supported community forestry provided members with readily available firewood, which freed up time for other productive activities⁸⁸.

It was a challenge for most of the rural development and agricultural projects to reach the poorest of the poor in the targeted communities, and also to include women in the income-earning schemes. However, rural development projects with a more integrated and comprehensive (livelihoods) approach⁸⁹ fared better than projects that focused primarily on the provision of infrastructure for improved agriculture (i.e. irrigation)⁹⁰. More recent rural development projects included elements directed at landless groups and community members, encouraging their participation in animal husbandry schemes (often cross-bred dairy cows with higher yields) and other income-generating activities. Women in project areas had taken up or expanded on a variety of income-generating activities, ranging from small shops to carpet weaving, thanks to micro-loans from micro-credit schemes managed by community self-help groups. However, poverty orientation and the inclusion of marginalised groups was at times limited by the socio-economic and cultural context (in particular, the traditional position of women) in the project areas⁹¹. Also, in some cases the danger existed that the situation of marginalised groups (landless) worsened, as their access to community lands that were being used for community forestry was restricted⁹².

EC-financed projects in rural development⁹³ were able to achieve small-scale environmental improvements. However, these improvements were limited to the project areas, without considerable evidence that could suggest an up-scaling of project achievements to a greater area. This applies in particular to the projects financed under the Asia-wide ProEco Programme, where, despite good results in individual projects, a wider impact of the interventions was judged to be unlikely⁹⁴. In some rural development projects, a possible trade-off existed between the focus on environmental/natural resource management (NRM) activities in the communities and the goal of poverty reduction, as non-NRM activities that potentially could have produced a higher economic return for the beneficiaries were not promoted by these projects⁹⁵.

⁸⁶ Based on assessments in monitoring and evaluation reports and anecdotal evidence from field visits (see environment fiches for more details).

⁸⁷ E.g. due to reduced erosion after contour-bunding.

⁸⁸ Feedback (anecdotal evidence) from community members during field visits and reports in different evaluation and monitoring reports.

⁸⁹ E.g. Haryana Community Forestry Project, SCALE, CMNR.

⁹⁰ Confirmed by findings of the 2003 CoA Special Report, Brussels.

⁹¹ This was observed and reported on in Haryana.

⁹² Again, this was reported to be the case in Haryana, but anecdotal evidence also suggested the danger of similar trade-offs in other projects (see environment fiches for more details).

⁹³ Including projects financed under the regional Asia ProEco programme.

⁹⁴ The central question is whether a programme based on calls for proposals that attract mainly European participants (79%, as stated in the Mid-Term Review) is the right instrument to go forward in a country like India (Mid-term review of the Asia ProEco Programme, 2005).

⁹⁵ This was in particular stated by the Joint Monitoring Mission of the SCALE project.

The wider impact and sustainability of most EC-financed projects will probably be limited, despite some encouraging examples⁹⁶. Only some of the rural development and agricultural projects had considered strategies for ensuring sustainability during the design phase⁹⁷. Moreover, although the majority of the projects supported the creation of community-based associations to take on a major role in the management of project activities, the viability of these associations remained in question at the end of most projects⁹⁸. The SCALE project, however, provides a positive example of a project with a participatory focus that was able to build considerable capacity⁹⁹ in the user associations in the project area¹⁰⁰.

The failure of many projects to establish stable linkages with state institutions (e.g. irrigation departments) is another factor that potentially limits their sustainability. In most states, the responsibility for the maintenance of the primary and secondary irrigation canals lies with the Irrigation Departments.¹⁰¹ Therefore, the extent to which the project succeeded in establishing linkages with these Departments – and to what extent communities can expect that the Departments follow through with their responsibilities – has a major influence on the chances of sustainability for the project. Here, even those NGO-run projects with better records in terms of capacity building in CBOs still displayed some weaknesses. In the case of SCALE, the Joint Monitoring Mission (JMM) labelled this as an area for necessary improvement. Up to that date, little attention had been paid to the role of other institutions that do or could do work with the user associations, such as government, PRI or also private sector institutions. Despite positive mention of the role that the project played in identifying government-funded poverty alleviation schemes and empowering the communities to access and take full advantage of these schemes¹⁰², both the JMM and selected monitoring (ROM) reports concluded that stronger institutional linkages could contribute significantly to the effectiveness and the sustainability of the project.^{103 104}

⁹⁶ The EC Delegation reports that the implementation of the Haryana Community Forestry Project (HCFP) has led to a few policy changes in the State in the areas of “usufruct sharing” (whereby 25% of the net sale proceeds of the forest products are given back to the population) in 2004 – 2005. The Delegation also reports that the participatory approach followed by the HCFP has been incorporated in the training curriculum of the forestry civil servants.

⁹⁷ Evidence from evaluation and ROM reports, see section on sustainability in environment fiche for more details.

⁹⁸ This is documented for the Kerala Minor Irrigation Project, the Sidmukh and Nohar Irrigation Project, Saline Land Reclamation Project in Maharashtra and, to a more limited extent, also for the Haryana Community Forestry Project. See environment fiche (sustainability section) for more details.

⁹⁹ Implemented by the AKF and its partners in the field (see SCALE JMM 2004).

¹⁰⁰ The SCALE monitoring reports also stress the high potential for sustainability of the project, in particular because of the organisational strength of the user associations (e.g. MR-20156.02 – 05/11/04).

¹⁰¹ CoA Special Report, 2003.

¹⁰² SCALE Monitoring Report (MR-20156.02); Date of Report: 05/11/04. Staff at the EC Delegation also state that, in their view, SCALE had promoted the development of state-level policies in several states. (e.g. the “Participatory Irrigation Management Act” in Gujarat).

¹⁰³ SCALE Joint Monitoring Mission Report, May 2004; MR-20156.02 – 05/11/04. It has to be noted that AKRSP (the implementing NGO) was aware of this issue during the project visit and could provide the evaluators with basic statistics about the number of village institution members who had been elected to local PRIs. According to that data, a total of 91 VI members out of 50 villages (53 male and 38 female) had been elected either Sarpanch (head of Panchayat) or committee member during 2002-2005 in the Bharuch-Narmada-Surat programme area of AKRSP(I).

¹⁰⁴ According to information from project staff and EC Delegation, the Haryana Community Forestry Project has engendered supplementary support from the Japanese Co-operation Agency (JICA) for a similar project covering Haryana, Punjab, Gujarat, and Rajasthan.

Mainstreaming environmental aspects into the EC support to India has yet to happen. A comparison of 60 CSPs¹⁰⁵ showed that the India strategy (2002-2006) contains a relatively limited analysis of environmental issues, and also offers only limited information on the environmental response strategy of the EC. Despite a general awareness that environmental issues are of great importance to India's development, EC staff capacity at country level for promoting environmental issues across sectors is limited. The EC's support of the two major social sectors, health and education¹⁰⁶, has so far not taken on board environmental elements that potentially would be within their remit.

EC-Indian political dialogue addresses environmental challenges at the highest level, also evidenced by the inclusion of environmental issues in the 2005 joint action plan agreed between the EC and India. The plan has devoted an entire sub-chapter to environment, raising issues such as climate change, eco-labelling, etc. The plan also specifically calls for the strengthening of the political dialogue on global environmental issues, including the UN Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol, and other multilateral environmental conventions. The joint action plan also foresees the holding of meetings of the Joint Working Group (JWG) on Environment on a yearly basis and the development of high-level visits between the two partners. However, the country-level follow-up to this high-level dialogue with concrete initiatives is only beginning and is currently still hampered by a lack of organisational resources to follow through with this kind of activity. The main initiative still lies with EC HQ in Brussels, in particular with the India Desk in DG Environment.

4.6.3. Conclusions

The EC's contribution to balancing India's environmental concerns with the need for accelerated development is limited. Despite positive results from some of the EC-financed projects in natural resource management, rural development and agriculture, the impact of these projects is small when measured against the scale of the environmental and social challenges that India faces.

In its Country Strategy Paper 2002 – 2006, the EC formulated the broad policy goal of assisting India in “restoring and safeguarding a healthy environment”¹⁰⁷ Although the evaluators acknowledge the positive results of the above-mentioned projects, the overall scale of EC financed interventions in environment and rural development is too limited to contribute to this broadly stated objective. The up-scaling of project results and channelling of lessons learned into policy-making and programming of follow-up projects was not achieved. The decision to phase out these stand-alone rural development interventions seems, therefore, to be well justified, as does the decision to enhance the effort to mainstream environment into the EC portfolio.

At the same time, mainstreaming has remained an aspiration rather than a reality. There are examples of potential synergies between, for example, the health sector programmes and environment (e.g. on public health) that are only now being discussed. Although EC-Indian political dialogue addresses environmental challenges at the highest level, the follow-up at country-level with concrete initiatives is only beginning. Lessons from remaining EC project support on environmental topics, such as through the Asia ProEco programme, have largely not been translated into input for policy making¹⁰⁸. Here, synergies between the ongoing policy dialogue and the

¹⁰⁵ Dávalos P, María Eugenia (2002): Mainstreaming Environment in the Country Strategy Papers – A Review of 60 Countries, Brussels.

¹⁰⁶ E.g. with regard to the promotion of environmental education.

¹⁰⁷ CSP 2002, p.3. This confirms the findings of the analysis of the EC intervention strategy in the CSP 2002 done during the desk phase of the evaluation, where the consultants identified the link between EC interventions and the broadly-stated policy goal as “tenuous”.

¹⁰⁸ The evaluators concede that in the past the policy and institutional environment in India has posed a considerable challenge for achieving or contributing to sustained environmental improvements. The lack of an environmental policy, shared or divided responsibilities for environmental issues among different line departments, etc, certainly provided a challenging context for the EC and other donors.

funding of innovative practices (e.g. with regard to environmental technologies) could be increased. The respective focus in the recent Joint Action Plan seems well justified.

4.7. Support to Governance

EQ7: To what extent has EC governance support had the potential for contributing to an improvement of governance in India?

4.7.1. Background and Rationale

The 1994 co-operation agreement between the EC and the Republic of India on partnership and development defines respect for human rights and democratic principles as the basis for EC-India co-operation. In addition, governance or, more specifically, the pursuit of good governance, is one of the central cross-cutting themes in the co-operation strategy of the EC, as defined in the current Country Strategy Paper. The strategy itself is directed at, among other things, improving governance with a view to reducing poverty. The 2004 Communication on the EU-India Strategic Partnership calls for the promotion of democracy, human rights, the rule of law and good governance as guiding objectives in a new co-operation strategy between India and the EU.

The various policy documents list a wide range of issues that should be addressed as part of the EC's commitment to improved governance:

- The CSP stipulates that a number of more specific areas to be covered under this broader heading are the **devolution of decision making** and management and the **participation of stakeholders**, in particular women and segments of the population traditionally disadvantaged, in articulating their interests. In addition, the CSP makes reference to its intention of sharing its experience in improving systems of **economic governance**.
- Both National Indicative Programmes (NIP 2002-2003 and NIP 2004-2006) pledge to contribute to good governance by **supporting India's academic institutions, think-tanks and social advocacy groups**, specifically through the EU-India Think-Tank programme.¹⁰⁹ In addition, the NIP 2002-2003 stipulates that the Disaster Preparedness Programme was intended to focus on improving relevant governance structures.¹¹⁰ The NIP 2004-2005, on the other hand, refers to good governance as one of the four guiding principles of EC co-operation with India, to be promoted through the **effective and transparent management of public resources**.
- Governance is also referred to as an important cross-cutting theme in the forthcoming **State Partnership Programme**. According to the most recent NIP, the underlying strategy of the partnership, which is supposed to mould the sector-wide approaches in health and education into a single "partnership package", is to strengthen governance at the State level towards **more inclusive policy (and presumably service) delivery** in sectors such as health and education. The rationale for focusing on governance at the state level is that lack of good governance in the states impedes the success of federal policies.

Given the wide scope of the EC support to governance (e.g. addressing such diverse issues as economic governance, the management of public resources, the effectiveness and efficiency of service delivery, etc.), and the fact that it is being addressed as a cross-cutting issue, it was not possible to assess the overall effectiveness and impact of the EC's support in this area. Instead,

¹⁰⁹ The think tank network failed take off as GoI later insisted on participating in the selection of Think Tanks, which was (and is) not in line with the EC Financial Regulation. Hence, the project was dropped. See e.g. Ecorys: 'Review and programming mission for EC CSP India', March 2005

¹¹⁰ The term "governance structures" is meant to refer to the formal and informal political, economic and social institutions that affect the incentives of politicians, bureaucrats, and private economic agents alike and determines the terms of exchange among citizens and between them and government officials.

the evaluators surveyed the specific areas in which the EC concentrated its governance-related interventions in India, and also which instruments were used for its support. It was attempted to assess the potential of the EC approach for successfully promoting governance reforms in India, looking in particular at: a) the degree of **external co-ordination**¹¹¹ of the EC initiatives, in particular with other relevant development partners in India; b) the extent to which the EC approach has been **internally coherent** over time and across different sectors; and c) the **degree of local ownership** of EC-supported/financed governance reform initiatives.

4.7.2. Findings

The EC co-operation portfolio in India includes a number of projects that are directed at strengthening or improving governance processes and structures. Initiatives range from rural development / natural resource management projects (aiming at empowering local communities through strengthened village-level institutions) to support for the UNDP-led Disaster Preparedness Project and to the current sector support programmes in health and education and the forthcoming State Partnerships with Chhattisgarh and Rajasthan, where governance reform has become a particularly important element. On the level of political dialogue, the EC is in the process of establishing common ground with regard to selected issues such as the treatment and rights of minorities.

However, the move to sector approaches, including joint support for sector policy initiatives of GoI and the utilisation of GoI-owned institutions for disbursements of the funds in education and health, has the greatest significance for the achievement of the EC's governance objectives in India. The approach has produced some positive results. Adoption of sector support programmes has reduced aid fragmentation, and thus has helped to avoid negative consequences of projectised aid on governance structures in India¹¹². By aligning its aid interventions with that of the government, the EC has created the potential to strengthen domestic accountability structures. Particularly in the context of the health sector support, the EC has entered into a close co-operation with its development partners¹¹³, with the EC contributing technical expertise from the EC-financed TA team (e.g. on financial management issues or on organisational restructuring of Regional Health Institutes). In the education sector, the DPEP marked a positive move towards greater alignment and harmonisation that encouraged other development partners to enter into a more strategic and long-term partnership with GoI, thereby increasing co-ordination and coherence of donor support to the sector. Here, the EC has played an important role as a catalyst. With the support of sector programmes in health and education, the EC clearly and directly responded to the demands of GoI. A weak point of the EC support to the education sector was the limited ownership of, and demand for, the TA element of the programme. The TA services offered under the DPEP did not respond to a clear demand from GoI and remained largely unutilised. In contrast, TA in the health sector was appreciated and utilised by GoI partners.

Notwithstanding the overall positive assessment of the EC support to the education and health sector, this sector-specific support has not contributed to the ongoing political, administrative and financial decentralisation and devolution of powers to the Panchayati Raj Institutions (local councils). Under the current GoI programmes in education and health, donor support is channelled primarily to line ministries at state and central level and bypasses the locally-elected PRIs. Although the EC-financed health sector programme in particular contributed to the ad-

¹¹¹ Insights from examining the degree/quality of co-ordination among donors in the area of governance were fed into the answer to EQ 8 on the 3 "Cs".

¹¹² See e.g. Knack, & Rahman: 'Donor fragmentation and bureaucratic quality in aid recipients', World Bank Policy Research Working Paper no 3186, 2004. See also World Bank: *World Development Report 2004* and Hauge: 'Accountability to What End?' in *Development Policy Journal*, Vol. II, UNDP 2002. The term "governance structures" is meant to refer to the formal and informal political, economic and social institutions that affect the incentives of politicians, bureaucrats, and private economic agents alike and determines the terms of exchange among citizens and between them and government officials.

¹¹³ E.g. DFID, in particular around the GoI's Reproductive and Child Health (RCH) programme.

vancement of the decentralisation of resources and functions to the state and district level, it did so within the organisational structures of the involved line ministries. Officially, focus areas of the programme did include the strengthening of capacities for decentralised local planning and management, financial management and audit, and community participation¹¹⁴. The 1997 Financing Agreement between the EC and GoI also stressed in particular the involvement of PRIs in the capacity-building aspects of the programme. However, a review of the supported reforms shows that the involvement of PRIs has not materialised¹¹⁵. The programme has built capacity primarily within the line ministries and associated bodies on the central and state levels. In the education sector, the situation is similar. In many states, weak accountability mechanisms at the local level continue to be key obstacles to improving the delivery of basic education¹¹⁶. Neither the DPEP nor the SSA successfully addressed this problem¹¹⁷. The review of the SSA programme showed that addressing key governance challenges, such as the incomplete fiscal empowerment and inadequate management structures at the local level¹¹⁸, was at least partly outside the scope of the programme¹¹⁹.

Therefore, although the EC has increased alignment with GoI institutions and policies at the central level, the centrally-sponsored schemes in both the education and health sectors have not yet contributed to also build organisational capacity in the PRIs¹²⁰. This is not fully coherent with the EC objective of supporting the devolution of decision making and management functions to the local level¹²¹, nor with the decentralisation agenda of GoI¹²² that puts the PRIs at its centre¹²³. The tension between support for (and support channelled through) line-departments and the support of PRIs as vehicles for decentralised self-governance primarily reveals an in-

¹¹⁴ HFWSO Final Report, EC & GoI, 2005.

¹¹⁵ The Final Report on the HFWSO programme concludes that the involvement of Panchayati Raj Institutions in the programme has been an area of relative weakness. According to the report, a decision was taken fairly early not to rely on PRI structures for the establishment of district management bodies because of concerns about the capacity of PRI structures. At the same time, the report calls for the inclusions of PRIs in future programmes, and it remains to be seen to what extent this will become reality.

¹¹⁶ See the education fiches for evidence.

¹¹⁷ Teacher absenteeism, a key indicator for governance problems in the delivery of education services¹¹⁷, remained high throughout the lifetime of the DPEP (see education and governance criteria fiches for more details).

¹¹⁸ It should be noted that support for community-based user associations, which is also a element of both sector programmes, as well as most of the past and current rural development projects, can potentially have a similar effect, if these associations are designed to take over responsibilities for the delivery of services that normally would be in the responsibility of local Panchayats and if the user association were created outside of the accountability mechanisms of the locally-elected bodies. The EC has not systematically distilled key lessons from its past projects and programmes to better address these challenges in the future.

¹¹⁹ In addition, SSA and DPEP are relying on State Societies for channelling funds to the local level, a set-up that again bypasses the PRIs as local bodies that, based on the decentralisation agenda of GoI, are supposed to play an increasingly important role in the local delivery of education services.

¹²⁰ According to Prabhat Datta (Professor of Public Administration, Calcutta University, and Adviser, State Institute of Panchayats and Rural Development, Government of West Bengal), state governments are often unwilling to strengthen Panchayati Raj bodies and instead have created parallel village bodies such as village education committees under DPEP – partly at the request of aid donors. “These parallel bodies do not have any effective organic links with the constitutionally-mandated panchayati raj institutions; they [...] serve to marginalise PRIs” (Frontline, Volume 20 - Issue 15, July 19 - August 01, 2003 at <http://www.hinduonnet.com/fline/fl2015/stories/20030801001508200.htm>).

¹²¹ EC Country Strategy Paper 2002-2006.

¹²² All five-year plans of GoI that fall within the time period covered by this evaluation stressed the importance of strengthening the role and – as a prerequisite – the capacity of these bodies (for additional details, please see the criteria fiche on governance in Annex XX).

¹²³ The 72nd and 73rd Constitutional Amendments to the Indian Constitution recommend the delegation of authority related to education to Panchayati Raj Bodies (Article 243 G of the 11th Schedule) and pave the way to decentralisation of educational governance at the local level (see Patel, Ila (undated): *Governance in Education*, Institute of Rural Management Anand (IRMA); (<http://www.irma.ac.in/silver/themepaper/ILAPATEL.pdf>).

consistency in the implementation of GoI policies, which so far has not been taken account of in the EC co-operation strategy towards India.

So far, the EC has not distilled key governance lessons from its sector support programmes to forge them into an explicit, country-specific cross-sectoral support strategy. Conceptual linkages between important governance elements of EC-financed interventions in different sectors are not yet clearly defined, despite the fact that EC-supported projects and programmes are facing challenges that can be traced back to the common cause of absent or weak accountability systems at the local level.

EC governance expertise and input is primarily linked to sector interventions, such as the ECTA team in the health sector and its corresponding studies, technical papers and other governance related inputs. Although EC staff members are generally aware of the importance of governance issues in the different EC programmes, staff is currently primarily engaged in the administration of programmes, which leaves little time for addressing cross-sectoral issues such as governance¹²⁴. Exchanges among staff members on the issue of governance take place primarily on an ad-hoc basis, linked to specific interventions, such as the sector support programmes or the State Partnership Programme¹²⁵. Contacts between the Delegation and EC headquarters on governance are limited¹²⁶, as are contacts on cross-sectoral governance issues between the EC and other donors¹²⁷. At the same time, EC staff members clearly feel the need to more systematically engage in and follow-up on the cross-sectoral treatment of governance. All staff members expressed a keen interest in the issues and considered it important for the success of the work of the EC in India.

The EC has established generally good working relationship with counterparts within GoI and Indian civil society¹²⁸, which is a clear achievement on which a future dialogue on governance issues can build. In particular, the ECTA team in the health sector has established good and constructive links with GoI at central level¹²⁹. The Political Section of the EC Delegation has contacts with a wide and diverse range of people in different positions in GoI, civil society, etc.¹³⁰ The EC also has a close relationship with the Election Commission of India.

At the same time, certain challenges remain. Most contacts are still established at the central level and less at the state and district levels where essential governance bottlenecks are located.

¹²⁴ Among other things, staff listed the following challenges that prevented a more systematic treatment and discussion of governance: a) lack of time to engage in any kind of more substantive work, even on sectoral issues and especially on cross-cutting issues, such as governance; b) an overabundance of communications, handbooks and guidelines on cross-cutting issues, including that of governance, particularly in light of the extremely limited time that staff had available for policy-related work; c) the complex and diverse situation in India when it comes to governance, which prevents staff members from penetrating the important issues to any meaningful depth, given their other responsibilities.

¹²⁵ For details, please see the criteria fiche on capacity (fiches 7.3).

¹²⁶ Based on feedback in individual interviews during the evaluation country visit to India in 12/2005. Staff members were by and large not familiar with the details of the 2003 Communication on Governance and Development, nor the corresponding Handbook.

¹²⁷ This was evident in comparison to the relationships of other major donors who are active in this area, in particular the World Bank and DFID. Co-operation between these two actors tends to be more intensive and regular. Staff from both organisations felt that close co-operation had led to a considerable degree of complementarity in addressing governance in India, where each organisation would contribute resources according to its own comparative advantages.

¹²⁸ In particular, feedback from GoI representatives was largely positive, reflecting partly the EC's achievement of spearheading the adoption of SWAs in the education sector, but also the generally "receptive" attitude of the EC during the formulation of the State Partnership Programmes regarding the design of the relationship between the EC and its partner states with regard to the obligations of the States vis-à-vis the centre.

¹²⁹ The ECTA team seems to have been closely involved in the formulation of the National Rural Health Mission, and contacts with other stakeholders at central level also were good in terms of exchange of information and frequency.

¹³⁰ According to the assessment of EC Delegation staff.

The EC also still faces challenges in identifying those drivers of change within GoI that are open to co-operation on politically-sensitive governance issues. In some instances, this limited the ability to discuss and promote governance reform issues. In the health sector, the EC was at times faced with a trade off between building up and maintaining a working relationship with States and Districts – which was needed in order to advance the health-related work – and the need to address corruption and absenteeism – the governance obstacles that hold back the delivery of services to the poor¹³¹. The State Partnership Programme that aim to establish direct co-operation with state-level stakeholders is therefore a step in the right direction.

The World Bank, DFID and UNDP have engaged in the cross-sectoral promotion of governance. They have developed a deliberate and specified approach to governance support:

- DFID supports governance reform through different routes: a) by promoting governance elements through interventions in other sectors (e.g. health or rural livelihoods, as does the EC); but also by b) directly financing governance initiatives of reform-minded stakeholders to contribute to knowledge generation in the field, and also to increase demand for good governance. Examples include the support for the establishment of a Centre for Good Governance in Andhra Pradesh, a GoAP-owned initiative to improve management of governance reform processes in the state, or the Orissa Public Sector Reform Programme, an initiative owned by the Government of Orissa (GoO) and which aims to help the state government to allocate increased resources to meet the needs of the poor and improve the effectiveness of resource use.
- Similarly, UNDP directly promotes the capacity development of PRIs in a project aimed specifically at politically empowering women and women's groups to allow them to participate in the process of local governance, or a project promoting *Rural Decentralisation and Participatory Planning for Poverty Reduction*, aimed at strengthening decentralisation of decision-making and planning, improving the fiscal situation of PRIs, strengthening accountability mechanisms, etc¹³².

Both DFID and the World Bank invest time and financial and staff resources¹³³ into building up and maintaining informal contacts with change agents of GoI, the identification and analysis of governance lessons of past donor-financed projects and other Indian success stories¹³⁴, and into channelling customised governance know-how and experiences into the policy process of GoI and state governments, often, but not exclusively, by means of the previously mentioned network of reform-minded change agents¹³⁵.

¹³¹ Members of the ECTA team expressed the notion that in particular in the past the issues of corruption and absenteeism were not taken up with GoI counterparts in order to not endanger the ability of the ECTA team to build up or maintain good working relationships with these actors.

¹³² See UNDP country office website at <http://www.undp.org.in/pratice.htm>.

¹³³ At the time of the country visit, DFID deployed a governance team of six people, the World Bank had two governance advisers among its local staff.

¹³⁴ The DFID governance adviser interviewed during the field mission stressed that in India a fair amount of experimentation in the area of governance would already take place, driven by reform-minded people within GoI. DFID would thus, among other things, see its role as highlighting these success stories and elevating them to a higher level – through publications, compilations of lessons learned that can be fed back into the policy process, etc.

¹³⁵ Representatives of both the World Bank and DFID also ascertained that supporting governance reform in India would not necessarily need a lot of money. Much rather, reform efforts could be funded with small sums of money to target very focused reforms (e.g. the development of a better human resource databases, or an improved file management system). The key importance was that the money had no immediate strings attached, i.e. that its disbursement was not tied to the achievements of other outputs that might necessitate the cutting of corners with regard to achievements in improving governance structures.

4.7.3. Conclusions

The move to sector approaches, including joint support of sector policy initiatives of GoI and the use of GoI-owned institutions for disbursements of the funds in education and health, has helped to avoid negative consequences of projectised aid on governance structures in India.¹³⁶ Thereby, the EC has created the potential for strengthening domestic accountability structures and has entered into a close co-operation with its development partners, including GoI.

Notwithstanding the overall positive assessment of the EC support to the education and health sectors, this sector-specific support has so far not helped to advance the ongoing political, administrative and financial decentralisation and devolution of powers to the PRIs as locally-elected bodies for self-governance. This also reflects the problems that GoI is facing in advancing the devolution of powers and functions from central line departments to locally-elected bodies for self-governance. EC has so far not included the issue in its policy dialogue with GoI, which has reduced the relevance of EC support to the decentralisation agenda of GoI and the coherence with the EC's objectives of supporting devolution of powers and management functions.

4.8. Co-ordination Coherence and Complementarity

EQ8: To what extent has the Commission's India strategy been complementary to, and co-ordinated with, actions of other donors, in particular EU member states, and simultaneously been coherent with other EU policies?

4.8.1. Background and Rationale

The EC has an obligation to ensure that its actions are co-ordinated with those of other actors, most notably EU member states. The Treaty establishing the European Community provides that the Community and the member states shall co-ordinate their development co-operation policies and consult each other on their aid programmes, including in international organisations and during international conferences. The possibility of joint action and a contribution by member states towards Community aid programme implementation are also mentioned.

In India, the EC is not one of the biggest donors (e.g. World Bank, DFID and Japan are all contributing with substantially more resources), and joint implementation has been limited to the education sector (the District and Primary Education Programme and the follow-up; Sarva Shiksha Abhiyan). In addition, GoI does not seem to provide strong leadership in co-ordination of aid interventions.

In 2003, the Indian government decided to only accept government-to-government aid from five donor countries (UK, Germany, Japan, Russia and USA), whereas multilateral aid (including the EC's) was allowed to continue. While GoI has subsequently allowed the conditional return of some of the smaller bilateral donors and G8 members, it has nevertheless maintained its medium- to long-term ambition of gradually phasing out dependence on foreign aid. In this context there is an opportunity for the EC to improve co-ordination with the reduced number of donors and also to ensure that the views of the smaller EU donors now phasing out their bilateral government-to-government assistance (e.g. Denmark and the Netherlands) are being represented.

In terms of coherence, it has been documented that some EU policies, notably the Common Agricultural Policy, can be inconsistent with the EC's development policy objectives.¹³⁷ How-

¹³⁶ The term "governance structures" is meant to refer to the formal and informal political, economic and social institutions that affect the incentives of politicians, bureaucrats, and private economic agents alike and determines the terms of exchange among citizens and between them and government officials.

¹³⁷ See e.g. World Bank: *Global Agricultural Trade*, Washington 2005. It is also recognised by the EC in its Communication 'Policy Coherence for Development' COM (2005) 134.

ever, distorting tariff regimes and agricultural subsidies are not only present in the EU; India itself has also considerable barriers to trade within agriculture both in the form of high tariffs and by subsidising farmers (e.g. providing free water and electricity). As stated in question 5, it is beyond the capacity and scope of this evaluation to undertake a comprehensive econometric impact analysis of e.g. the influence of CAP on the Indian economy, and hence the evaluation will only point to specific incidences of coherence or lack thereof.

4.8.2. Findings

The EC is committed to improving aid effectiveness by promoting **complementarity** with other development partners, not least member states. Over the period under evaluation, there has been a concentration of resources in fewer and more complementary interventions. At the start of the period, the EC had comparatively a lot of bilateral development projects, especially within rural development and environment. Other bilateral and multilateral donors (including member states) also had projects within these sectors. While these projects individually may have been relevant, there was limited overall strategic complementarity as each project had its own objectives, procedures and management structures independent of other donors and, perhaps more importantly, GoI.¹³⁸ This reduced the degree to which the EC projects were complementary to the activities of other partners. However, the EC was already then contemplating a significant strategic shift in development support modalities as the DPEP became operational in 1994 and preparation for sectoral support to the Health and Family Welfare Programme was already well advanced.¹³⁹ These programmes, which gradually came to absorb the majority of EC funds, were explicitly designed to improve complementarity with GoI support and other development partners by, for example, ensuring that EC funding was additional to GoI funding, and by having well-structured and strategic discussions with GoI and other development partners on how to inter alia improve complementarity.

Internal complementarity in EC programmes and projects has been improved by focusing on two core sectors and the phasing out of individual rural development projects. However, the proliferation in particular of NGO projects funded under the thematic budget lines has not been used as deliberately complementary during most of the evaluation period. This is related to the criteria by which these projects are selected, and which were not necessarily complementary to other interventions.¹⁴⁰

At strategic level, there has also been a general improvement throughout the period under evaluation, with the first Co-operation Strategy from 1994 being virtually mute on how to operationalise complementarity, whereas the 2002 CSP offered far more elaborate analysis of the issues, including assessments of EC comparative advantages. Development partners have generally welcomed this sharpened focus of the EC, although there were also concerns about the weak consultations with local stakeholders in the process of formulating the 2002 CSP.

Concerning **co-ordination**, the EC has been a very strong promoter of effective donor co-ordination throughout the period under evaluation, and has been instrumental in facilitating GoI ownership and control of sector programmes: Under DPEP, donors had both joint and individual monitoring mechanisms and launched various studies and reviews, often with only limited co-ordination. With the launch of the SSA, GoI took over co-ordination almost completely, with donors having very little influence over programme design and being restricted to visiting programme activities only twice a year on pre-scheduled joint missions. This is an example of very

¹³⁸ This is evident in the EC strategy from 1994. See EC: India and the European Community: Co-operation Strategy to the Year 2000, September 1994.

¹³⁹ See e.g. EC: 'India EC Joint Commission, Brussels, 10-11 October 1994 : Agreed Minutes'.

¹⁴⁰ It should be noted that efforts are being made to improve complementarity in the next CSP 2007-2013. However, given the nature of project this will probably remain a challenge.

effective co-ordination, although concerns have been raised about donors' ability to effectively discuss key issues on, for example, governance.¹⁴¹

In the health sector, co-ordination is also improving, with more donors expected to join the sector programme pioneered by the EC. Thus, the National Rural Health Mission (the successor to the health sector programme) will also include the World Bank and DFID, with strong technical inputs from WHO, UNFPA and UNICEF. Again, GoI seems to be taking a firm lead in ensuring that co-ordination is strongly encouraged and supported by the EC.

In sum, the EC has had a pioneering role in promoting better co-ordinated approaches and remains committed to honouring the renewed obligations, as stated by the Rome and Paris Declaration on harmonisation and aid effectiveness. Strong GoI ownership of many of the development programmes has further facilitated better co-ordination, and at strategic level the deconcentration has empowered the Delegation to improve co-ordination efforts. Hence, there has been a gradual increase in co-ordination efforts throughout the period under evaluation, but there is still no joint country strategy of EC and EU member states. On the one hand, this should be possible, given the limited number of EU donors left in India. On the other hand, exactly because of the limited number of EU aid donors, the need for such a joint strategy is probably limited, given the intensive formal and informal co-ordination efforts between especially the UK (DIFD) and Germany (GTZ and KFW).¹⁴²

Concerning **coherence**, the last judgment criterion, there has in general been a good fit between EC global policies and the operationalisation of those in India in the form of CSPs, sector strategies and project objectives. Indeed, in the early period under evaluation, the Delegation in India was arguably ahead of EC global policies by being one of the first promoters of the sector approach to support education and, a few years later, health. In a sense, the Indian experience helped inform global EC policies. With the EC's strong support for the MDGs, combined with the crucial importance for India of achieving them, the focus on health and education seems well founded and visionary at the time when the strategy and programmes were planned.

The increasing focus at global level on governance has also been reflected in the 2002 CSP and in the planning of the next CSP. However, translating general statements on the importance of governance into concrete and effective interventions in projects or programmes has been a significant challenge, and will probably remain so. Nevertheless, more analytical and policy dialogue efforts should arguably have been made in addressing the governance problems that seriously affect the delivery of pro-poor social services, most notably within education and health. These governance failures are important constraints to achieving the MDGs and accelerating poverty reduction in India. The response at the operational level in comparison to the importance attached to governance at the strategic level seems insufficient. Coherence and complementarity between the two substantial sector programmes and the numerous small-scale projects, often financed from thematic budget lines, also leaves room for improvement.

However, at a more strategic level there is strong coherence between the objectives of economic co-operation and development co-operation, with the former focusing on increasing trade and economic growth, which is strongly correlated with poverty reduction, the objective of development co-operation. However, the overall impact is judged to be rather limited, given the small and fragmented nature of most interventions with economic co-operation and their mixed performance.

General trade policies have a very strong impact on poverty reduction, and India has benefited significantly from the opportunities offered by, for example, the Generalised Scheme of Preferences (GSP), to the extent that India is now the single biggest beneficiary of the scheme, with a

¹⁴¹ This concern has been voiced both by EC and World Bank staff who, while appreciating the strong ownership, were critical about GoI's commitment to tackling sensitive issues related to governance.

¹⁴² A paper to EU Heads of Mission from Development Counsellors (1 December 2005) argues that in-country co-ordination mechanisms between EU member states and the Commission are sufficient to provide coherence between their cooperation programmes.

utilisation rate of around 80%, which is also one of the highest in the world. Obviously, with a complex and wide-ranging set of policies such as the Common Agricultural Policy, food safety and EC trade policies, inconsistencies with other policies, such as the development policy, are bound to appear. However, the impact of these policies is multifaceted, as some producers may benefit from these policies whereas other may lose. However, as India's exports are mainly complementary to the EU's, the overall impact of, for example, the CAP pales in comparison with India's internal obstacles to improving trade efficiency. This may change in the future if and when India's exports become more directly competitive with sensitive products. Again, the scope of the evaluation did not allow for a thorough econometric analysis of different export and trade liberalisation scenarios, but going forward it is an issue which may warrant more attention.

4.8.3. Conclusion

The EC has progressively enhanced its efforts to promote complementarity during the period under evaluation. The EC has deliberately exited from the rural development sector, based on careful analysis of how it could best complement the efforts of other development partners (including GoI) and provide value added. Similarly in the sector programmes, the EC has developed capacities within specific areas that complement those of other partners and also ensure very close co-ordination and ownership by GoI. Nevertheless, there are some instances where internal complementarity between interventions funded by thematic budget lines could have been improved. Efforts to address this issue are underway.

Coherence with the EC's global policies on governance and efforts made in India still leave room for improvements, at least as far as analysis of governance issues and policy dialogue with development partners are concerned. Finding appropriate direct interventions for addressing these issues will remain a significant challenge for all development partners, but more efforts are needed to jointly formulate strategies aimed at reducing the governance failures that significantly reduce the impact of the EC's support for health and education.

While there may have been incoherence across a set of complex and far-reaching EU policies (e.g. CAP and food safety), these have been difficult to quantify and the impact has arguably been negligible, although this may change in the future if the composition of the Indian export portfolio changes substantially and becomes more directly competitive with sensitive EU products. This issue may warrant more analytical attention than has been possible in this evaluation.

5. GLOBAL CONCLUSIONS

5.1. Overall Conclusions on Poverty Reduction, Trade and Economic Co-operation

During the period under evaluation, EC support to India has been focused on two main objectives: (i) reducing poverty by providing development assistance, in particular to education, health and rural development; and (ii) promoting trade and investments between the EU and India to the mutual benefit of both partners. The former has received by far the most funding; more than 90% of the financial resources went to development support, while less than 10% were used for trade and investment. Although trade has more than tripled from €10bn in 1991 to €33bn in 2004, the specific EC support has had relatively little to do with this expansion (see also Section 4.5 and Annex 4, EQ 5).

Poverty has been reduced significantly in India between 1991 and 2004, and India will be a key contributor to the achievement of the MDGs. Given the magnitude of India's poverty problems, the EC contribution has been comparatively small, at least in financial terms. The decision to phase out most of the stand-alone projects, concentrated within rural development, and to focus instead on a few selected sectors seems well justified and was very visionary and innovative at that time.

The shift to sector support also facilitated a qualitative improvement in the ongoing dialogue on development co-operation between the EC and India. In the early part of the evaluation period, this dialogue was mainly centred on a long-list of potential projects proposed by GoI, which were then discussed at length in the development co-operation sub-committee meetings. With the introduction of a clear sector focus on education and health, this project-based approach was gradually replaced with a far more substantive and strategic process, in which sector policies and more systemic issues took centre stage. This has clearly offered far more potential in terms of addressing the fundamental causes of poverty and slow social development (Section 4.1.2 and Annex 4, EQ 1).

Has the EC fully exploited the potential to utilise sector approaches to stimulate pro-poor reforms and to sustainably improve the provision of public services within education and health? It is not possible to present an evidence-based answer, as methodologically robust evaluations, comparing the situation with EC support to the situation without support, were not carried out by the programmes¹⁴³. While both sectors have produced a plethora of studies and reports, neither has tried to assess what would have happened without the programmes. Most reports focused on input management and processes at the expense of outputs and outcomes. In the education sector, one impact study from outside sources revealed relatively disappointing outcomes of support to education. Combined with the weak provider incentives and limited accountability in both education and health, there is strong evidence to suggest that 'more of the same' will fail to fundamentally improve public-financed service provision. On the other hand, the evaluation team also visited small and innovative individual activities that apparently had successful results and impacts (including some sponsored by the sector programmes). However, the lack of systematic impact evaluations diminishes the possibility of policy makers and the EC being able to make fully informed choices of what should be scaled up and what should be phased out. In particular, programmes that are rolled out gradually are good candidates for proper evaluation as they allow for randomised comparison between beneficiaries and non-beneficiaries. The DPEP, HFWP and the EC-India Maritime Transport Programme were examples of programmes that could have been subjected to such impact evaluations, and there are many examples of

¹⁴³ Obviously this evaluation is subject to the same criticism, but the extent to which this evaluation has been resourced has not allowed for such evaluations, although attempts have been made by the team in the Maritime Transport Project.

small-scale impact evaluations that have yielded interesting and useful results (Sections 4.2.2, 4.3.2, 4.4.2 and annex 4, EQ 2-5).¹⁴⁴

Concerning trade and economic co-operation, the general statistics under the evaluation period are unequivocally positive, with an important increase in trade and investment between the EU and India. This has largely been a supply-side response to Indian reforms, but also has been facilitated by the EC maintaining broadly accommodating trading policies and granting GSP status. The specific EC-funded projects and programmes under trade and economic co-operation have generally been relevant at design stage, but were affected by procedural and administrative delays that reduced relevance and impact. Improved performance of more recent projects suggests that these constraints are being addressed. However, the relatively few and fragmented interventions have not fundamentally altered or facilitated trade and investment flows or the policy environment. Again, some of these interventions could have been subjected to more rigorous impact evaluations (Section 4.5 and Annex 4 EQ 5).

More recent programmes and projects to promote cross-cultural economic co-operation and academic/scientific exchanges are highly appropriate responses to the increasing diversity and maturity of EU-India relations. These interventions potentially have a high and sustainable visibility. They are consistent with the recent upgrading of the EC partnership with India and represent an appropriate translation of its intentions into concrete actions.

5.2. Conclusions on Relevance, Alignment, and Coherence

The EC has been innovative and pace-setting in aligning its development assistance with that of GoI. The shift has also improved EC-India co-ordination and the internal coherence of the EC's response to India's development challenges. However, it has proved difficult to ensure full coherence of the NGO project portfolio. Incoherence between EC policies (e.g. trade and development) has been fairly marginal and its impact arguably trivial. More importantly, the EC seems committed to continuing and accelerating efforts to facilitate the integration of India into the world economy, through, for example, TIDP (Section 4.8 and Annex 4, EQ 8).

However, there have been instances where better alignment to domestic channels would have been warranted, especially concerning the ECTA and activities intended for capacity development, which seem to have been supply-driven in the case of education sector. It could also be argued that too much effort and too many resources have been invested in managing ECTA, which has detracted from the EC's ability to engage in strategic dialogues with its key development partners, above all GoI. It should be an explicit objective to anchor capacity to utilise and engage TA firmly within domestic institutions that make use of such TA independent of EC support. In the education sector, such anchoring would naturally be in the Technical Support Group under MHRD/ GoI, not externalised in an EC programme co-ordination unit (Section 4.1.3 and Annex 4, EQ 1 and 2).¹⁴⁵

Notwithstanding these minor issues, the overall general trend towards alignment has been strong and allowed for qualitative deepening of the ongoing dialogue between the EC, GoI and other DPs in the two main sectors of support, health and education. By being a pioneering partner with GoI, the EC has gained significant respect in policy dialogue, with potentially far more widespread impact than a piecemeal project approach would have allowed for. This has clearly also improved relevance of EC support, although attributing the impact of the EC's input (in terms of political dialogue or financially) is virtually impossible. Fully realising this potential obviously depends on the effectiveness and impact of the government-implemented sector pro-

¹⁴⁴ On education, see e.g.: Banerjee, Cole, Duflo and Linden: 'Remedying Education: Evidence from Two Randomised Experiments in India', Working Paper, MIT, November 2005.

¹⁴⁵ TA for the health sector, after a difficult start, is now well-appreciated. This, however, does not change the case for ensuring better anchoring in domestic institutions, by e.g. letting the Ministry of Health and Family Welfare do the identification, contracting and remuneration.

grammes and, unfortunately, there is only very limited hard evidence in that regard, as discussed elsewhere.

Relevance has at times been diminished by procedural delays (on both the Indian and EC sides), resulting in lead times of nearly a decade from conception of project idea to actually implementation. Unfortunately, the deconcentration of EC management procedures has not been accompanied by adequate procedural reforms, leading to continued problems in ensuring timely execution. Moreover, relevance has also been reduced when GoI or state-level governments have not been in the driver's seat in identifying, formulating and appraising support interventions. The sector programmes are an exception. There may be a need to ensure stronger domestic participation, as a corollary, to reduce input from EU consultants in these preparatory processes (section 4.1.3 and Annex 4, EQ 1).

Finally, while the EC has improved relevance and alignment by abandoning parallel project structures, the eventual impact is now even more dependent upon the effectiveness and efficiency of government institutions and procedures. Thus, alignment and harmonisation in sector programmes and the accompanying strategic policy dialogues, while very valuable, must not be seen as ends in themselves. Rather, this can be used as a vehicle to encourage GoI to improve performance of its instruments and to address head on the critical issues in sectors, which is something that has not been adequately pursued by development partners so far (section 4.2.2, 4.3.2, 4.4.2 and Annex 4, EQ 2-4).

5.3. EC Support to Social Sectors

The education and health sector programmes have gradually become the main vehicles for providing the bulk of EC development assistance, which has been a deliberate and well-judged choice by the EC. Given India's substantial problems within education and health, the prioritisation of these sectors seems warranted and, if effective, could also make a substantial contribution to achieving the MDGs, not only in India but also globally.

The sector programmes have allowed for a more strategic policy dialogue with GoI and, given that governance failures are the key problems in both sectors, such a dialogue is all the more important. However, it seems that the EC and other development partners (including GoI) have so far not addressed these bottlenecks head-on. Core governance indicators, such as the critically high staff absenteeism rates in health and education, have remained above acceptable rates (Sections 3.3.3; 4.2.2, 4.3.2, 4.4.2 and Annex 4, EQ 2-4)

The health sector programme offers good potential to address these issues as it explicitly and very relevantly focuses on policy reform. While its support to decentralisation and management of health facilities is highly relevant, it has not yet adequately analysed important problems such as high staff absenteeism or the practice of requesting bribes for free medical services. Also, the assumption made by the programme that public medical services will, by definition, be pro-poor may need re-examination as research suggests that general public health interventions (as opposed to public medical health services) may be more pro-poor, especially considering that comparatively few actually use public medical services.¹⁴⁶ Nevertheless, the policy dialogue that is ongoing is more direct and holds significant potential (Section 4.3, 4.4 and Annex 4, EQ 3-4).

In education, governance has generally not been addressed in the policy dialogue between development partners and GoI. This partly reflects strong domestic ownership but also resistance to what can be seen as interference in local politics. However, external development partners,

¹⁴⁶ See Gupta, M.D. (World Bank): 'Public Health in India: Dangerous Neglect', in *Economic and Political Weekly*, December 2005, and Peters, Yazbeck, Sharma, Ramana, Pritchett and Wagstaff.: *Better Health Systems for India's Poor*, New Delhi 2002. It should be noted that public health will be supported in Rajasthan through improvements in water management and accessibility, and better sanitation at schools may also improve retention of girls. However, as the programme has not yet started, the impact is yet to be observed.

including the EC, should arguably attempt to put the issue more firmly on the agenda (Section 4.2 and Annex 4, EQ 2).

The efforts to monitor and evaluate the social sector programmes have remained somewhat incomplete and fragmented. They have not produced hard evidence on the impact and effectiveness of the interventions. While this responsibility primarily rests with the government, development partners could have devoted more analytical (but not necessarily financial) efforts to this area.¹⁴⁷

5.4. EC Support to Environment and Rural Development

In the early 1990s, numerous rural development projects (broadly defined to also include natural resource management interventions) dominated the development assistance portfolio and consumed considerable resources of the EC. The projects were able to achieve small-scale environmental improvements. However, these improvements were limited to the project areas, without substantial evidence to suggest an upscaling of project achievements to a greater area. Also, sustainability of these achievements, which depended mainly on the stability of user associations and their links to locally-elected bodies (PRIs) and other state institutions, remained tenuous. (Section 4.6 and Annex 4, EQ 6)

The EC-financed rural development projects mainly generated new income-earning opportunities for direct beneficiaries, but it was a difficult challenge for some projects to reach the poorest of the poor in the targeted communities and to include women in the income-earning schemes. This was partly due to the technical characteristics of projects that centred on the improvement of managing natural-resources (for example, irrigation projects tended to benefit land-owners). Here, some projects fared better than others, also partly depending on the socio-economic and cultural context (in particular, the traditional position of women) in the project areas. In some projects, a possible trade-off existed between the focus on environmental / NRM activities in the communities and the goal of poverty reduction, as non-NRM activities that potentially could have produced a higher economic return for the beneficiaries were not promoted by these projects. Overall, the impact of these projects, as well as other environmental projects (e.g. the Asia ProEco Programme), on the objective of achieving a balance between economic development / poverty reduction and environmental conservation and improvement is likely to be small, due to the small scale of the projects and the failure to channel and upscale results to a higher level.

The decision to phase out specific stand-alone rural development interventions seems well justified, as does the decision to enhance the effort to mainstream environment into the EC portfolio. At the same time, mainstreaming has to a certain degree remained an aspiration rather than a reality. There are examples of potential synergies between, for example, the health sector programmes and environment (e.g. on public health) that are only now being discussed. Although EC-Indian political dialogue addresses environmental challenges at the highest level, the follow-up at country level with concrete initiatives is only beginning.

5.5. EC Support to Governance

Governance has assumed increased importance in both EC global policies and in the EC strategies for India. Given the widespread governance problems in the delivery of core public services supported by the EC, attaching high importance to the issue is warranted. (Section 4.7 and Annex 4, EQ 7).

The move to sector approaches has reduced aid fragmentation, which can be an important factor in undermining and weakening governance structures and processes in the recipient country.¹⁴⁸

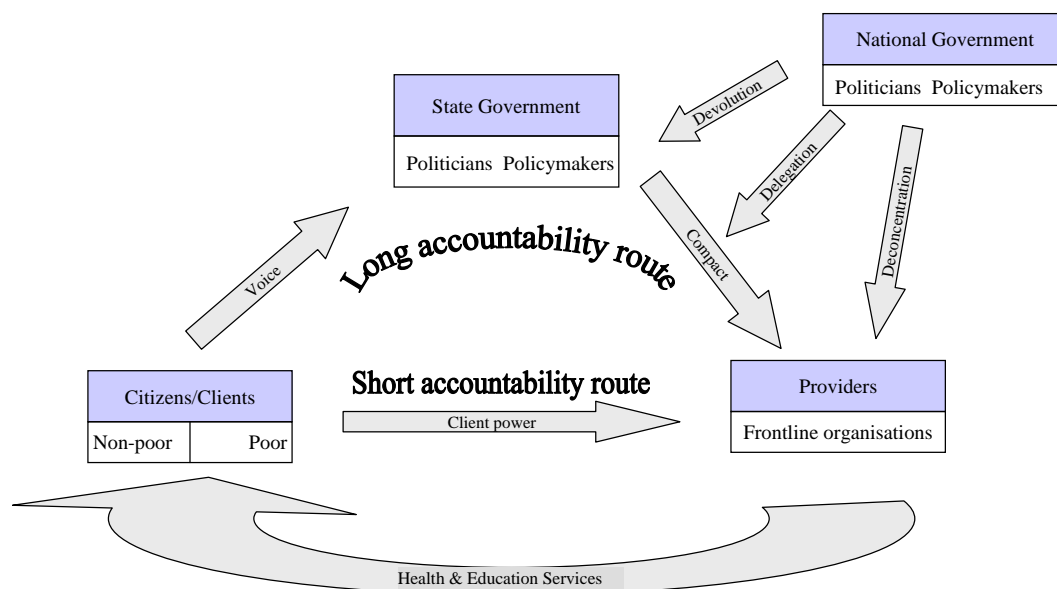
¹⁴⁷ Evaluations could usefully also extend to comparing approaches to the delivery of public services from different countries, as e.g. Bangladesh (with assistance for inter alia EC) has produced interesting outcomes by strengthening the demand side and increasing the choice of service providers.

¹⁴⁸ See e.g. Knack, & Rahman: 'Donor fragmentation and bureaucratic quality in aid recipients' World Bank Policy Research Working Paper no 3186, 2004. See also World Bank: *World Development Report 2004*

By aligning its aid interventions with that of the government, the EC has created the potential to strengthen domestic accountability structures, as illustrated in Figure 11. With traditional projects, such domestic accountability structures were (and are) often circumvented as the donor contract service providers bypass the role of policy makers and the accountability ‘compact’ between policymaker/politicians and providers.

Notwithstanding the overall positive assessment of the EC’s support to the education and health sector, the EC’s sector-specific support, which is channelled primarily through line departments, has not always contributed to the ongoing political, administrative and financial decentralisation and devolution of powers to the PRIs. Although this trade-off primarily reveals an inconsistency in the policies of GoI and the difficulties it is facing in advancing the devolution of powers, functions, etc, from central line departments to locally-elected bodies, the EC has so far not reflected this inconsistency in its policy response. This reduces the relevance of EC support to the decentralisation agenda of GoI and also the coherence with the EC’s own objectives to support devolution of powers and management functions from central and state levels to the local level.

Figure 12: Accountability routes in health and education



Inspired by World Bank: *World Development Report 2004: Making Services Work for Poor People*, OUP 2004

Figure 12 above depicts the stylised “short” and “long” routes to accountability in the provision of services¹⁴⁹, whereby client power is the short and direct way for citizens to hold providers accountable. Means for ensuring accountability on the long route are the ability of citizens to voice discontent to their political representatives, who then exercise their oversight function with the service providers. In the EC supported sectors, these mechanisms on both routes are often compromised and ineffective. Selecting clients based on caste may dominate the ‘compact’, the weak capacity of the poor to voice discontent may reduce the level of accountability of policy makers to their constituents, and lack of client power (e.g. the possibility of choosing a better provider) may reduce the option of ‘voting with the feet’.

Although sector approaches do offer the potential to address many of these linkages, the potential for improvement has not yet been fully realised. This partly may have to do with the inher-

¹⁴⁹ Based on concepts developed in the 2004 World Development Report (World Bank).

ent limitations that centrally-sponsored schemes (such as DPEP and SSA) have in affecting local-level relationships between clients, policymakers and service providers.¹⁵⁰ In addition, however, these issues are not yet sufficiently incorporated in the policy dialogue with GoI.

Finally, there have been only limited attempts to increase accountability via the short route, that is, by increasing client power for example by increasing the utilisation of the booming private sector and the use of stipends/insurance schemes, which, as stated above, has yielded more pro-poor results in other countries suffering from the same systemic governance problems, and has done so at a lower cost. Innovative experiments and their rigorous evaluation were not given enough priority.

6. RECOMMENDATIONS

6.1. Strategy-level Recommendations

The EC has developed a long-standing partnership with the government and has recently committed itself to further broadening and deepening this relationship in the Joint Action Plan from 2005. There has been a qualitative transformation in the way the EC and India engage as partners, which creates new opportunities and also new responsibilities.

The ever-closer partnership forged between India and the EC is also a key reason why India has requested the EC to significantly enhance development co-operation to augment the support to the education and health sector programmes, two sectors where the EC's pioneering approach and long-term efforts have acted as a catalyst for other development partners to align their support as well.

In the evaluation team's view, it will be important to ensure that the EC expands the partnerships forged in the two sectors and ensures the highest degree of continuity possible, in order to maintain its position as a reliable and committed partner. A key recommendation is thus:

1. **Ensure continuity and expanded partnerships in the core sectors of support.** The long-standing partnerships with India offers the EC opportunities for having a broader policy dialogue, focusing less on the delivery of inputs and amounts involved and more on efforts to tackle systemic issues related to the still inadequate delivery of core social services. Special priority should be assigned to improving governance and accountability. Consequently, in the view of the evaluation mission, the commitment to significantly enhancing development co-operation in the health and education sectors should primarily focus on enhancing accountability structures and disseminating lessons on what works and what doesn't, rather than solely focusing on enhancing the resource envelope, which has only limited correlation to health and education outcomes. There may be various *options* available, not mutually exclusive:

- *Assist in increasing client power:* In both health and education, the private sector plays a growing role that should be included in the sectoral work. By strengthening the clients' power over providers, services can be improved, as experience from neighbouring countries and elsewhere has demonstrated. In particular, the strengthening of the demand side and expansion of choice often helps to discipline providers by rewarding those that are well-functioning and penalising those that are less effective.
- *Promote systems for better monitoring of providers:* A key issue relates to the incentives facing service providers for improving the quality. Too often, limited monitoring results in weak outcomes. However, experience from India and elsewhere suggest that it

¹⁵⁰ Further political economic considerations may also limit the degree to which the government may address the issues head on, given the strength of e.g. teachers' unions.

is possible to design monitoring schemes and incentives that can cost-effectively improve attendance of frontline staff, thus improving the quality of the services.¹⁵¹

- *Strengthening Civil Society and its access to information:* The EC is already engaged with various CSOs in this area, but more efforts should be made to strategically use them in its sector work, mainly in the area of advocacy, empowerment and information dissemination, and perhaps less so as direct service providers. In addition, the recently passed Rights to Information Act may offer opportunities for supporting more transparent and accountable systems governance.
- *Bolster in-house capacity to work in partnership with government* on strategic issues in the core social sectors. Given the magnitude of these programmes and the complexities involved, more human resources should be allocated, especially with competencies in health and education governance.

To move forward in the expanded partnerships, it should be a priority for the EC and its partners to fully document the impact of the various actions and interventions and to credibly identify the determinants of the outcomes, especially those relating to institutional and incentive factors that appear to have limited impact hitherto. Hence the second recommendation:

2. **Strengthening impact evaluations and information sharing.** There is very little hard evidence available on the impact of EC-supported activities. Most monitoring, audit, review and evaluation reports concentrate mainly on inputs, processes and outputs, and few (if any) have been able to determine if changes in outcomes can be *attributed* to the programmes supported by the EC. This limits the information available to policy makers on what works and what doesn't, and may result in suboptimal allocation of resources (both the EC's and, more crucially, those of its domestic partners). In addition information on the impact of programmes from other countries could usefully be disseminated, especially in the large-scale social sector programmes. Not all programmes can be rigorously evaluated for impact, and the EC, in co-operation with its development partners, should thus select programmes for evaluation carefully, based on feasibility and importance. The social sector programmes would appear to be strong candidates. Options for strengthening impact evaluation include:

- *Assist in making interventions more suitable for impact evaluation* at design and implementation phase. When designing interventions, substantially greater efforts could be devoted to ensuring that they can be better evaluated. Where possible, the EC should roll out programmes in randomly-selected pilot areas and beneficiaries and should choose a control group/area not benefiting from the programme, but sharing the same relevant characteristics. This allows for considerably more rigorous and robust impact evaluation. Currently, there are several ongoing initiatives aimed at promoting more rigorous evaluations, which the EC could tap into.¹⁵²
- *Strengthen demand and funding for impact evaluations.* A key problem is that there has hitherto been limited demand for impact evaluation from both the EC and many of its domestic partners. However, with the strengthening of the civil society and the increasing involvement of academia in public affairs in India, combined with renewed commitment to improving health and education outcomes, there seems to be a growing demand for such evaluations. The EC should be ready to provide resources for these, as well as being responsive in acting on results that may emerge, scaling up what works and abandoning approaches that don't.

¹⁵¹ See e.g. : Duflo & Hanna: 'Monitoring Works: Getting Indian Teacher to Work', MIT, September 2005 and Jimenez & Sawada; ' Do Community Managed Schools Work?', *World Bank Economic Review*, 1999.

¹⁵² See e.g. Center for Global Development: Closing the Evaluation Gap, Washington 2006.

- *Ensure widespread dissemination of credible and independent impact evaluations.* To be credible, evaluation should be truly independent, which will necessitate the use of experts outside the normal ‘development consultancy cadre’, who may face market pressures to produce biased results. Collaboration with academia and NGOs not involved in operational matters may produce better results. Dissemination of findings from such evaluations is arguably a global public good which the EC is well positioned to undertake, given its global reach.

Gradually, the EC has expanded its support to include activities and interventions that are not easily categorised within the two traditional areas of economic/trade co-operation and development assistance. Moving forward, there will be an expanded potential to increase the number of activities in these non-traditional areas. Hence the third recommendation:

3. The EC should **invest more effort in activities that reflect the diversity and maturity of EU-India relations**. This is in keeping with the expanded scope of the Joint Action Plan beyond the two traditional spheres of development co-operation and economic co-operation and also will provide adequate follow-up to the current activities in the fields of cross-cultural co-operation and academic exchanges. *Options* for promoting such non-conventional co-operation activities include:

- Intensify efforts to *identify niches* where the EC can add value; for example, multi-cultural exchanges and stronger academic links.
- *Engage with a wider spectrum of civil society organisations*, including those that are not necessarily solely focused on traditional development issues.
- *Enhance educational exchanges* and expand opportunities being offered, such as the Erasmus Mundus.
- *Expand media exchanges* centred on, for example, investigative journalism and other critical roles of the media in a democratic society.

6.2. Recommendations on Social Sectors

As stated above, it is recommended that the EC remains engaged *continuously* in both sectors in order to capitalise on the experiences and know-how gained and not lose institutional memory and momentum. Efforts could be accelerated to bolster in-house capacity working in partnership with government and other development institutions. Given the magnitude of these programmes and the complexities involved, more human resources should be allocated, especially those with competencies within health and education governance.

The EC has often invested too many resources in managing and administrating TA relations, which has detracted from its ability work in partnership with the government. It is hence recommended that:

1. **TA offices and the services they are supposed to deliver are anchored in appropriate permanent institutions** (e.g. EC Delegation or GoI) and are truly demand driven. The goal should be to assist domestic partners to develop the capacity to contract and optimally utilise TA according to its procedures and cost structures. India has a vast and growing domestic market for consulting services, which GoI and other domestic stakeholders will increasingly be able to use.¹⁵³ The EC should support these domestic stake-

¹⁵³ Obviously, GoI and other domestic stakeholders may also want to contract international TA and consulting services, the key issue here being that the opportunity cost should be transparent by e.g. providing support untied and through the government budget, thus also ensuring that resources are allocated and managed in accordance with national priorities.

holders in developing their capacity to procure such services in a transparent and competitive fashion, delivering value-for-money. From the EC side, the ‘outsourcing’ of functions to TA offices runs the risk of limiting the institutional memory, and delegates the important role working in partnership with GoI stakeholders to consultants who may not contribute to developing in-house capacity. Options for implementing this recommendation include:

- *Reduce the number of TA/PMU/Co-ordination offices*, and develop instead the required capacity in the EC, GoI or other domestic permanent partner institutions.
- *Clearly distinguish between TA services needed for the EC and services needed for GoI/domestic partners*. Use the relevant institutional procedures for procurement and contracting accordingly. This will also assist in clarifying the roles, responsibilities and accountability arrangement of the TA services. There may also be instances where TA services will be needed for the global public good (e.g. generating knowledge that will benefit other countries as well) where the EC could provide TA services. Independent TA for methodologically robust impact evaluations may qualify as such.
- *Address procurement/contracting weaknesses in domestic organisations head-on* rather than filling the gaps with TA. There have been concerns about the ability and capacity of domestic organisations (also at state level) to effectively procure and utilise services such as TA. However, the EC should be careful not to by-pass these systems by taking over these roles, but should instead aim to strengthen them

The EC, better equipped to enter into policy dialogue with its Indian partners, should above all aim to address the key governance and accountability weaknesses head on in the core social sectors. In the *health sector*, the policy dialogue is arguably well advanced and offers good potential for moving on to addressing more sensitive issues that have not been sufficiently dealt with. A key recommendation is:

2. The EC should further **emphasise a broader concept of public health provision**, which does not necessarily require a long, complex and capacity-intensive referral chain (e.g. a widespread network of primary healthcare). This is especially the case in states and districts where the ‘long accountability route’ (see Figure 11) is weak. Options for doing so include:
 - Promote *simple and easy to monitor interventions*, such as vector control, disease surveillance and information on what affects people’s health (core public good). This is an area that has been neglected and which may be more easily done than improving medical services. Work in the Rajasthan SPP on water and sanitation issues could provide an example of such activities.
 - Increase analytical efforts to *distinguish how best to utilise public funds in a situation where most health care is private*. With limited resources, care should be taken not merely to crowd out private providers with public providers, but to ensure that the health impact from all sources (public and private) is maximised.
 - *Strengthen the demand side* and accelerate innovations involving private providers. The majority of health care has been de facto privatised, and GoI and development partners may adjust their policy response accordingly by, for example, strengthening partnerships with the private sector and promoting better insurance schemes that increase clients’ choice.
 - *Strengthen monitoring and evaluation of impact and governance indicators*. While the FHWP does have a monitoring system in place, it should be strengthened fur-

ther to be able to demonstrate convincingly the impact of the various pilots and models tested. Currently, most monitoring and evaluation undertaken is focused on input, processes and the before and after status. It should be a key objective of the EC to include impact evaluation in its future support to the health sector.¹⁵⁴ Also, given the weakness in the accountability chains between health providers, the focus of clients and policy-makers (see Figure 11) on governance indicators may also be warranted (absenteeism, level of unofficial payment, quality of services).

The challenges in the other key social sector, *education*, are in some ways similar and relate to strengthening the accountability chains, as well as improving impact monitoring and evaluation. With the increasing flight to private schools in both urban and rural areas, urgent measures are needed to ensure more pro-poor education reforms. Consequently, the key recommendation is:

3. **Increase focus on accountability weaknesses in the education sector analytically, monitoring-wise and in the policy dialogue.** With only one in four teachers present and teaching in schools in Chhattisgarh (a state that receives substantial EC support for the education sector), there are clear indications that systemic changes need to be introduced and that past attempts have not been sufficient to address these issues. Indeed, the EC has generally not advanced this dialogue, but the forthcoming State Partnership Programmes, as well as the renewed GoI emphasis on SSA, may offer new opportunities for promoting systemic changes. Options to pursue in co-operation with domestic development partners may include:

- *Strengthening demand side.* EC experience from the region suggest that transfers to the demand side and a flexibility in choosing the provider of education (both private and public) has generated more pro-poor outcomes. In this process, the EC should attempt to broaden the sectoral perspective to include the booming private sector and to promote closer public-private partnerships. This can improve client power by offering more choices, increased competition and better opportunities for students/parents to improve the accountability of service providers through the 'short route' (see Figure 11). Client power may also be promoted by use of better monitoring and scrutiny of service providers, and the newly-enacted Rights to Information may offer increased scope for such monitoring.
- *Continue and accelerate efforts to align with domestic systems.* The EC has been a pioneer in aligning its interventions and should continue its impressive work in that area. For both TA and various 'capacity-building' initiatives, it should be an objective to have domestic partners being in the lead to ensure that the efforts are demand-driven. This is also consistent with both the EC's and global best practices on aid management. Some capacity-building initiatives may have a dual focus of increasing EC visibility (e.g. twinning). However, such issues are better and more appropriately addressed in some of the 'non-conventional' programmes and should not be allowed to distract attention from the core objectives of the sector programme.
- *Increase support to civil society organisations for improving voice and accountability* in the education sector. The current PESLE has elements of this that need to

¹⁵⁴ This is a somewhat neglected area in many public programmes supported by donors as there is often limited demand for such evaluations. See e.g.: See e.g. Pritchett, L: 'It Pays to be Ignorant - A Simple Political Economy of Rigorous Programme Evaluation', in *Policy Reform*, Vol. 5, no 4, 2002, and Birdsedale, Levine and Savedoff: 'Why Are Good Impact Evaluations so Scarce?', in *Closing the Evaluation Gap*, Center for Global Development 2006.

be strengthened, with the EC focusing less on actual service delivery of CSOs and more on their role in promoting accountability and transparency.¹⁵⁵

- *Promote innovative education pilots using realistic settings.* To be credible, pilots should have a close focus on their replicability from the design phase. In particular, the cost structure needs to be replicable and the sustainability of the institutional incentives for (non-)performance should also be closely analysed to assess the likelihood of maintaining benefits after the pilot stage.

6.3. Recommendations on Trade and Economic Co-operation

Trade between India and the EU has expanded rapidly over the evaluation period, but the relatively few and fragmented interventions of the EC have had little to do with this expansion. As the specific interventions have been the main subject of the analysis, the recommendations are consequently limited to these.

4. **Promote procedural simplicity to reduce lead time.** Involving many potentially ‘veto-enabled’ partners in multi-component programmes may reduce lead time. Options for doing so include:
 - *Consider having more focused interventions,* possibly involving only a single ministry/agency, with clear division of responsibilities
 - *Involve domestic partners more closely* in the design phase of projects and programmes. Delays and misunderstandings may have been avoided had domestic partners (e.g. GoI) been the main driver in the identification and formulation process. This may require reduced inputs from EU consultants.
 - *If serious delays occur, relevance of objectives, approach and activities should be reassessed* against a context that may have changed.
5. **Continue to develop innovative areas of non-traditional support.** Somewhat misplaced under the heading of Trade and Economic Co-operation is the emerging portfolio of unconventional programmes and activities that fits neither of the two traditional areas of co-operation. These symbolise the close and wide-ranging partnerships that are increasingly being forged between the EU and India outside the spheres of trade and development assistance. Continuing such innovative activities and identifying new niches and non-conventional areas of co-operation should be encouraged, and would also support the implementation of the Joint Action Plan. The options have been outlined under the strategic recommendations.

6.4. Recommendations on Mainstreaming Environment

EC global policies require the mainstreaming of environmental issues into all policy areas of the EC. In addition, the Joint Action Plan has laid out a wide-ranging environmental agenda that creates a commitment for the EC to become more active in this sector. India’s environmental challenges will most probably only increase in the future, and will have adverse effects not only on India but on the state of the global environment.

6. Therefore, the EC should **follow through on its commitment to mainstream environment in its co-operation with India.**
 - *Sectors such as trade and investment, as well as health,* offer great potential for enhancing the environmental profile of interventions.

¹⁵⁵ The PESLE NGO Bodh has attempted this. See e.g. the Mid-Term Review of PESLE, May 2006. However, the PESLE project also illustrates the need to pay attention to the accountability of NGOs.

- Intensifying environmental mainstreaming will also *require strengthening the organisational capacity of the EC Delegation with regard to environment* to follow-up more effectively on the ongoing high-level political dialogue.
- *EC-financed projects in the sector (ProEco) should be used more strategically* to provide showcases of good practice that can be channelled into this dialogue.