



# Strategy for projects and schemes in foreign countries

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## Preface

This report, written by a first year student from a B-School named IIM Calcutta has public policy as its theme and revolves around India's new role as an emerging donor, which was one of the major recipients of foreign aid. There can be a question arising in the minds of an average Indian on hearing this report title 'Why India is helping the poor countries even when it is in a worse condition, having more than one third of the poor people in the world?' Leaving it as a question to the readers, I proceed with this paper on public policy, my current domain of curiosity, inspired by a speech by my mentor Former Ambassador B.S.Prakash and also by courses on public policy during the first year of my college. I thank, Rakshak Foundation, for giving the opportunity to work on this ambitious project and made me understand life is a continuous learning process.

Foreign aid has got more importance in recent times and much looked upon by the world. So, writing an analysis report about India's performance as a donor is vital at this stage. Development partner will be opt term for India rather than called as a donor. To reason out, India sees this not only as a chance to help the poor nations, but also as opportunity to improve the trade links between the countries.

This report is not a comprehensive report analysing all the types of projects and defining separate strategies for projects done at every country. Even though a comprehensive report of such a kind is the ultimate need, it would be too ambitious to do so, considering the two month time constraint and experience of the author. So this report, rather than making an analysis of all the specifics, constraints itself to generics and understands the common problems existing among most of the projects carried out by nations in poorly developed countries. Later on, it tries to apply various strategies to Indian context to improve effectiveness of development partnership done in foreign countries and find the working strategies.

## Acknowledgements

To begin with, I am thankful to Rakshak foundation for giving me this opportunity to work with this one of a kind project and opening doors to a domain, having in it a large number of un-imagined opportunities.

I am grateful to my mentor, His Excellency Ambassador B. S. Prakash for guiding me through the project, motivating me by having full confidence in my ability and for easing me by being a very amicable person, apart from allotting me, his valuable time albeit his busy schedule.

I use this opportunity to thank the senior fellow of Research and Information Systems, Dr. Sachin Chaturvedi for helping me with the modalities involved in RIS, for sharing the valuable research paper about India as a donor, written by him and for allowing me to access the valuable materials at the library of RIS.

I, also thank Mr Prem Kumar Nair, Under-Secretary, DPA-I for sharing with me information about Sri-Lankan Housing project and the hierarchical structure of DPA. Also, I thank the esteemed dignitary from The Ministry of External Affairs, for sharing thoughts and guiding me in this project.

I, apart from thanking the Indian dignitaries, wish to thank the Department of International Development, for their public policy reports and also the various authors, who had reduced my research work by publishing papers on foreign aid.

I wish to end by acknowledging my parents and friends at the Internship location who motivated me throughout this project, apart from sharing their ideas.

## Table of Contents

LIST OF	
FIGURES.....	4
LIST OF	
TABLES.....	4
1. INTRODUCTION .....	7
2. METHODOLOGY .....	11
3. CURRENT NGO AND GOVERNMENT EFFORTS .....	12
4. RESULTS AND DISCUSSIONS .....	16
5. ANALYSIS OF VARIOUS STRATEGIES .....	24
6. RECOMMENDATIONS, SCOPE AND STRATEGY FOR IMPLEMENTATION .....	28
7. FUTURE WORK .....	31
8. CASE STUDY OF SRI-LANKAN HOUSING PROJECT .....	32
9. REFERENCES .....	35
10. APPENDIX A .....	37
11. APPENDIX B .....	45

## List of Figures

**Figure 1.1:** Statistics showing number of poor people in 1990

**Figure 1.2:** Statistics showing number of poor people in 2013

**Figure 3.1:** Existing structure of DPA

**Figure 4.1:** Cumulative ODA Shortfall 1970-2011

**Figure 4.2:** Split of ODA received by countries 1970-2010

**Figure 6.1:** New divisional structure of DPA

**Figure 6.2:** De-Centralized Information with public

**Figure A.1- A.4:** Screenshots of the Department of International Development (DFID) Web-site

## List of tables

**Table 6.1:** Indicators for Impact assessment

**Table A.1.** Recent outflow of India's development assistance (Rs million)

**Table A.2:** Principal Destination of India's Technical Cooperation Programme (Rs. crores)

**Table A.3:** Evolution of Indian development cooperation architecture: a chronological expose

**Table A.4:** Who wants to know the results of impact assessment?

## Executive Summary

*"The key to poverty reduction in poor countries is sustained economic growth, which depends far more on a country's own policies and on world trade and financial systems than on foreign aid."*

Radelet, Stephen

This paper begins with a statistic, showing why India should be helping poor countries, even when it is housing more than one third of the world's poor. Later on, it proceeds with few definitions, progresses with a discussion of few projects of the past, which had failed because of its poor efficacy and further tries to deliberate few of the best and worst practices in development assistance. The remaining part of the paper advances, by conversing India's current position as a development partner, and briefs about a case study of a successful aid project done by India in the recent times. It then tries to forecast the consequences, if India followed few strategies. This simulation done, to find the strategy that best fits India for achieving a satisfactory and timely execution of projects and schemes done in foreign countries. The paper concludes, with checking the feasibility of the strategies and road map to achieve the goal of efficacy.

To be a little more elaborate, this report starts with few of the in-efficiencies in foreign aid – Tied aid and Food aid which mandates the poor recipient country to purchase the goods from the country providing aid rather than from a cheaper market. Apart from these in-efficiencies, this report confers the inherent parameters of a project– Fragmentation which tells how the operations of project is divided between multiple stake holders, Selectivity which denotes the chance that an aid surpasses corrupt authorities and reaches the customers of the aid and the third factor, transparency of publishing the project strategies and operating costs information to the public.

After discussing these basic information, this report puts forward its findings from few of the numerous reports written in the past, and debates few of the reasons why few aids failed to achieve their intended targets, un-planned targets can be a better word to denote these targets. The report, then extends the findings of past research reports with few of the intuitions of the author.

To proceed towards the intended goal of this report, which is suggesting strategies for the Indian government aid agency for improving its effectiveness, the report discusses the past trials of India to achieve effectiveness. It then list few of the current agencies involved in development assistance namely Development Partnership Administration (DPA), Research and Information Systems for developing countries (RIS) and their various operating modalities. It then, analyses the gaps existing in Indian aid operations namely average scoring on transparency

of project information to the public, average scoring on visibility, gaps in getting feedback from the recipients because of its centralized feedback system and nascent impact assessment system. Later on, it compares Indian aid agency with Department for International Development (DFID), one of the highly rated bi-lateral agency in the world and tries to fit the best practices of this organization to the Indian context.

Finally, the report tries to apply various strategies for filling the gap and discusses their pros and cons for choosing the best strategy among the listed alternatives. It then discusses the steps to follow to implement these recommended strategies and achieve most out of them.

Recommended strategies are the addition of a new division DPA IV for which helps in developing new businesses and improve existing businesses in poor countries.

Next is moving from a centralized feedback mechanism to a de-centralized feedback mechanism by involving the public in providing feedback. This can be achieved by making the web-site and social site of Ministry of External Affairs (MEA) and Development Partnership Administration (DPA) more transparent and involving public to comment on government's move. This de-centralized feedback system should be supplemented by the High Commission in multiple countries asking for feedback from the local people. The DPA should be made more visible to the public if these strategies need to work.

India should lessen the 75% mandate of purchasing the raw materials from India for use in the project. Removing this mandate will create an economic improvement in the recipient country.

India which is lacking in its project impact assessment mechanism should improve impact by outsourcing to an independent agency or creating a separate division under DPA for assessing the impact of the foreign projects.

India should also control the quality and operating rules of Line of Credit (LoC) projects to ensure effective utilization.

Two teams, one from DPA and another from the recipient country should make reports about progress of the project, operating costs information, problems with project implementation to make the information more authentic. India should send expert teams to multiple countries to analyse their situation and publish report explaining the strategy to follow for betterment in these countries.

DPA should do re-structuring of teams to find out the team structure that gives the best performance. DPA should conduct events in B-Schools like IIM to get new perspectives to solve issues of DPA. India should join with consortiums to form agencies for performing projects which are very huge in terms of scale and scope.

# 1. Introduction

## 1.1 Background Information

There can be a question arising in the minds of an average Indian on hearing this report title 'Why India is helping the poor countries even when it is in a worse condition, having more than one third of the poor people in the world?'

To put my personal statement, Indians are poor, but India is not a poor country. India has a huge potential growth next to china among the developing countries to eradicate poverty inside its boundary.

Below are the statistics of number of poor people in the three areas – China, India and Sub- Saharan Africa [\[1\]](#)



Figure 1.1: Statistics showing number of poor people in 1990

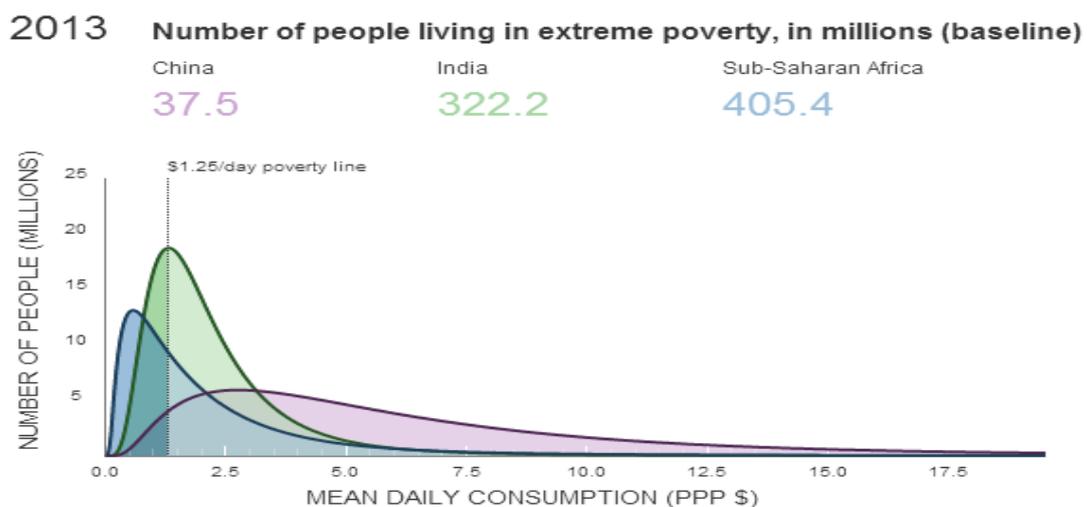


Figure 1.2: Statistics showing number of poor people in 2013

The statistics shows the number of people below the \$1.25/day poverty line has reduced by one quarter in India, while countries in Sub-Saharan Africa it has nearly doubled. This shows India is in a well-off position than Sub-Saharan Africa.

Paris Declaration <sup>[2]</sup>: The Paris Declaration, signed in 2005 by more than 90 countries and multilateral organizations, committed the major funders of foreign aid to an ambitious set of reforms, including (I) Increasing a recipient country's ownership of initiatives financed with foreign aid; (II) Harmonizing the design, implementation, and reporting of foreign assistance by different organizations; (III) Aligning foreign aid with the recipient country's priorities, systems, and procedures; (IV) Focusing on results and outcomes as measures of performance; (V) Improving accountability of both funders and recipient countries for the effective use of foreign aid; (VI) Increasing the predictability of foreign aid to help recipient government better plan and manage their own budgets.

India is now one of the fastest growing economies in the world, a drastic improvement from decades of poor growth. Apart from the internal economic growth, there has been a significant shift in the country's position from being one of the highest recipients of aid to one of the key donors of aid in Asia. To quantify it, India has been the largest beneficiary of the United Kingdom's aid program, with an annual sanction of GBP 280 million (Approx. 2366 crores) <sup>[3]</sup> targeted towards poverty reduction. Now India has requested UK to stop all the financial assistance given to it. This was followed by the UK's development secretary announcing the end of aid to India in 2015. When considering the global statistics, India is now home to one third of the world's poorest people <sup>[4]</sup>. So, is India's decision of ignoring the aid from one of its biggest donor United Kingdom and increasing the aid given to poor countries a good move?

## 1.2 Main Problems, their scope and impact on the society

Before discussing the various instances of failed project strategies, we start with few dimensions that may impact the effectiveness of a project, getting the help from the research paper 'Where does the money go? Best and worst practices in foreign aid' <sup>[5]</sup>.

1. Fragmentation
2. Selectivity
3. In-effective channels

**Fragmentation:** The degree to which the same project is split between multiple development assistance agencies or a smaller funding is allotted to multiple sectors.

There are multiple dimensions for fragmentation:

1. The common form of fragmentation occurs when an aid agency tries to satisfy multiple goals at a time.

Why it happens: This happens when a proper planning and estimation of project cost is not done.

Impact: It is too ambitious to satisfy the goals of all the projects with a smaller fund which leaves all the goals underfunded and results in partially completed projects. The benefit from specializing in a single goal is lost in this case. This leads to a higher fixed costs and increase in total overhead costs apart from taking a longer time for the initial planning phase of each goal involved.

2. A second case of fragmentation is when two or more aid agencies or multiple development partners join together to do a project.

Why it happens: This happens when the project size is too vast or complex for a single agency to manage or if the involved agencies specialize only in part of the project.

Impact: It cannot be said exactly whether this type of fragmentation increases the overhead costs. But this type of fragmentation has the potential to save costs leveraging the specialization brought in by multiple partners. It is still a double edged sword because of its detrimental feature of impacting the co-ordination in a negative way.

**Selectivity:** The degree to which the aid escapes the hands of corrupt authorities and goes to the poorest countries. Past Statistics shows trends shows an increase in the percentage funds going to poorer countries. But this increase in funds is because of the increase in funds going to lower middle income countries which is well- off compared to the least developed countries for which the percentage of funds allotted has fairly remained the same.

Why it happens: Few of the developed economies like United States have the habit of funding their allies which came as the major reason for the fund going to the middle and upper middle income countries. Another example is that of United Kingdom which funds a significant part of its total fund to India which was its colony before 1947. Another reason for an existing low level of selectivity is because of the developed economies funding their allies because of trade benefits. But this trend has started to shift with an increase in funds allotted to the least developed countries and fund getting reduced to poor countries like India. Example is of India and UK agreeing to stop the transfer of funds from UK to India by 2015.

Impact: There seems to be a positive impact in the lower middle income countries because of the increase in fund to these nations. But most of the nations which are funded are the ones scoring higher in corruption, which reduces the positive intention of these funds.

**Use of In-effective channels:** The extent to which the development partner avoids the in-effective aid channels or the degree to which it is not tied to political objectives.

1. Tied aid: One of the in-effective aid channel followed by few developed economies is tied-aid where the recipient country also referred to as partner country is mandated to purchase the resources needed for the project from a supplier in the development partner country.

Why it happens: In few cases, the country giving development assistance is influenced by the suppliers of the resources which results in the recipient country buying the resources at a higher price from the donor country rather than purchasing from the cheaper International market. This is done to increase the market power of the donor country's firm in the partner country. For example, few of the developed economies like United States provide most of its assistance in the form of tied aids.

Impact: This costs the partner country the opportunity loss of getting the resources cheaper from the International Market.

2. Food aid: It is essentially a way for developed economies to dump their excess agricultural production on markets in low income countries. It is similar to a tied aid except for the case that the resource is food here.

### 1.3 Goals and Objectives

The motive of this report is to analyse the existing structure of India as a development partner and develop strategies to improve the effectiveness of the projects done by the country viz. feedback mechanisms, procurement of resources, co-ordination between teams, cost effectiveness-overhead costs, finance, recruitment of new people & other HR strategies. Effectiveness measured in terms of the satisfactory and timely execution of the projects, the channels taken for a particular type of project and the impact it brings in the partner country,

Apart from the above goals mentioned, strategies to improve the effects of few aspects which tries to diminish the quality of the project viz. fragmentation, in-effective aid channels, selectivity, transparency, accountability is also developed and the possible outcomes of those strategies is also forecasted.

## 2. Methodology

### 2.1 Literature Search

Foreign aid is one of the fields that got a huge focus in the past decade and the government aid agencies and NGOs involved are putting more effort to improve their performance. A vast number of researches has been done in this field and published as papers.

Field visits were not possible considering the lack of time and budget. But the information needed for knowing about the present conditions is got from dignitaries of various governmental agencies.

### 2.2 Meetings and Interviews

<b>Date</b>	<b>Name</b>	<b>Designation</b>	<b>Institution</b>	<b>Topic of Discussion</b>
30.04.2013	Dr. Sachin Chaturvedi	Senior Fellow	Research and Information Systems for developing countries(RIS)	Various modalities of RIS;  Path taken by India as a development partner.
24.05.2013	Mr Prem kumar Nair	Under Secretary, DPA I	Development Partnership Administration	Team structure existing in DPA, impact assessment mechanism

### 3. Current NGO and Government Efforts

India in the past, had tried various initiatives to project itself as a donor. It had provided support to its neighbouring countries even when they were having a low growth period of 3 per cent increase in GDP.

India's approach of aid programs differs from that of the aid programs of developed economies. India does not prefer it to be called a 'donor' and prefers it to see itself as a 'development partner'. To reason out, India treat other countries as it trade partners rather than thinking them as an under-developed country which seeks aids. India through its south-south co-operation sees this partnership as a mutual development opportunity, where trade opportunities are explored between the participating countries apart from providing fund for developing projects.

The Ministry of External Affairs is the apex ministry responsible for the projects and schemes done by India in foreign countries. The concerned division of MEA dealing with Planning (done at the headquarters) and delivery (at the partner country) have gone through several changes the details of which are tabulated in [Table 3](#) : Evolution of Indian development cooperation architecture: a chronological expose.

**Development Partnership Administration (DPA)** <sup>[6]</sup>: Over the past few years, India's development assistance has started to cover large number of countries and consequently, the projects being implemented by the Ministry of External Affairs have increased substantially. Recognizing this, the Development Administration Partnership (DPA) was created in the Ministry of External Affairs in January 2012 to effectively handle India's aid projects through the stages of concept, launch, execution and completion.

India's development partnership is based on the needs identified by the partner countries and the effort of the Ministry is geared towards accommodating as many of the requests received from partner countries as is technically and financially possible. DPA has started to create in-house, specialized technical, legal and financial skills in order to fast-track all stages of project implementation. DPA has three Divisions. Currently, DPA I deals with project appraisal and lines of credit; Indian Technical and Economic Cooperation Programme has been merged with DPA II and deals with capacity building schemes, disaster relief, and DPA III deals with project implementation.

As the Development Administration Partnership in the Ministry of External Affairs is gearing towards meeting its mandate, it is expected that effective and efficient

handling of all our aid projects from the stages of concept, launch, execution and completion would result in efficient implementation of projects, in close cooperation and facilitation of the partner countries.

Development Partnership Administration has three Divisions (DPA – I, DPA – II and DPA – III) headed by Joint Secretary-level officers. DPA-I handles all Lines of Credit (LoC), grant projects in the East, South and West African regions, grant assistance projects in Bangladesh and the Sri Lanka Housing project. DPA-II handles over 8500 civilian and 1500 defence training slots allocated under ITEC (Indian Technical and Economic Cooperation Programme)/SCAAP (Special Commonwealth Assistance for Africa Programme)/TCS of Colombo Plan during 2012-13 to 161 partner countries. Forty seven empanelled institutions conduct around 280 courses annually. DPA-II also handles grant assistance projects in Southeast Asia, Central Asia and West Asia and in Latin American countries. Humanitarian and disaster relief is also handled by this division. DPA – III deals with the implementation of grant assistance projects in Afghanistan, Maldives, Myanmar, Nepal and Sri Lanka.

India provides assistance through three channels – Line of Credit (LoC), technical assistance through the Indian Technical and Economic Co-operation (ITEC) <sup>[4]</sup> and grant assistance. Now these three channels are provided by the divisions of DPA - DPA I, DPA II and DPA III respectively.

**DPA I or Line of Credit (LoC)** <sup>[7]</sup>: LoC is a form of subsidized loan given to a partner country. LoC is the major channel out of India's three different types of assistance programs. As of 7 February 2012, the total LoC commitment was US\$7.7 billion, covering 153 LoC in 94 countries in Africa, Asia, the Commonwealth of Independent States (CIS), Europe and Latin America with Africa receiving almost 50 percent of the lending done by India.

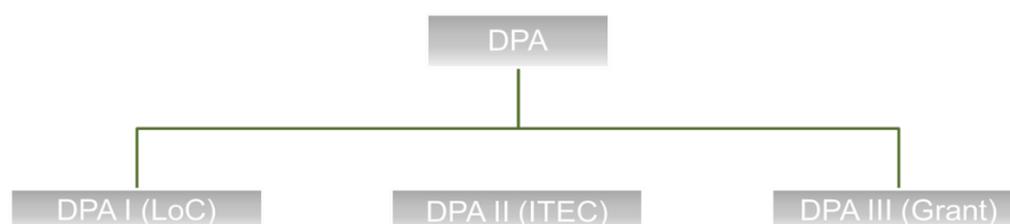
The Government of India (GoI) has set up a bank named as the Export and Import Bank of India (EXIM Bank) for facilitating LoC. It is the apex financial institution for providing LoC to partner countries. EXIM bank extends LoC to overseas financial institutions, regional development banks, sovereign governments and other institutions in the partner countries. The EXIM Bank's financing enables buyers in the borrowing countries to import projects, goods and services from India on deferred credit terms in subsidized interest rates, the differential of which from the market interest rate which will be compensated to EXIM Bank by the GoI.

**DPA II or The Indian Technical and Economic Co-operation (ITEC)** <sup>[8]</sup>: The Indian Technical and Economic Cooperation (ITEC) programme was launched on 15th September, 1964 as a bilateral programme of assistance of the Government of India. It is the flagship programme of the Indian Government's technical

cooperation effort, not only because of its wide geographical coverage but also for innovative forms of technical cooperation. Being essentially bilateral in nature, ITEC is about cooperation and partnership for mutual benefit. It is demand-driven and response-oriented. It is focused on addressing the needs of developing countries.

ITEC has six components, viz. (I) Training (civilian and defence) in India of nominees from ITEC partner countries; in this element there is a growing focus on issues of trade, investment and technology cooperation; (II) Projects and project related activities such as feasibility studies and consultancy services; (III) Deputation of Indian experts abroad; (IV) Study Tours; (V) Gifting/Donation of equipment; and (VI) Aid for Disaster Relief; example is that of the tsunami events that happened during 2006 where India partnered with Australia, Japan and the United States .

**DPA III or Grant based assistance** [2]: Grant-specific assistance from India has seen significant overall increases from Rs 2.6 billion in 1990–91 to Rs 28.5 billion in 2009–2010 and nearly Rs 48 billion in 2012–2013. Most of the grant assistance is given to the neighbouring countries with Bhutan receiving more than half of the share. The foreign policy related to outward assistance has remained largely unchanged despite the change in government. The government follows an ad-hoc project based funding except in Bhutan where it follows a sectorial funding.



**Figure 3.1:** Existing structure of DPA

**Small Development Programme (SDP)** [2]: A one of a kind programme was launched by India in 2003 for projects costing less than 3.12 crores and a shorter gestation period with focus areas like infrastructure development and capacity-building in areas of education, health and community development. The SDP involves the local community, the national government and the Indian Mission in the management of the project. There is a great degree of transparency in these types of projects because of the direct involvement of the stakeholders. The auditing is done by the local community which creates a good level of accountability with the members involved.

**Research and Information Systems for developing countries (RIS)** [2]: The Research and Information System for Developing Countries (RIS), based in New

Delhi, is an autonomous think tank under the Ministry of External Affairs, Government of India. The organization specializes in policy research on international economic issues and development cooperation. The institute is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on international economic issues. The research agenda of the RIS focuses on promoting South-South Cooperation and assisting developing countries in multilateral negotiations in various forums. The institute provides policy inputs to the Government of India on international economic issues, and is engaged in several Track-II processes. RIS continues to work closely with the network of institutions with which it is linked in order to achieve the objectives of strengthening policy coherence on international economic issues.

**GoI efforts for improving effectiveness <sup>[7]</sup>:** India has announced the DFTP (duty free tariff preference) for 49 least developed countries out of which 33 are in Africa, 15 in Asia and one in the Americas. By this, most of the exports from these countries to India will have no duty tariffs. This scheme will boost the trade deals between India and these countries thereby boosting economic activity inside these poor countries.

On 8 April 2008, during the India–Africa Forum Summit in New Delhi, the Indian Prime Minister announced the DFTP (duty free tariff preference) scheme for 49 least developed countries, out of which 33 are in Africa, 15 in Asia and one in the Americas (Chaturvedi 2008).

The usual problem with foreign aid projects is the non-convergence of the interest of the donors and recipients. This is because of the unlikeliness of the partners involved to have the same view about a problem. This non-convergence is not resolved because of the lack of a feedback system. Indian government had managed to tackle this problem by managing the project areas which the partner country thinks as priority areas.

## 4. Results and Discussions

### 4.1 Findings from the literature:

**4.1.1 Reasons for failure of aids [10]:** Even though the involved donor agencies had tried to be accountable, many of the previous projects didn't give the intended results. What strategies can be followed to prevent these failures from happening? For the strategies, the reason for these failures should be identified. Due to the lack of a time machine for checking the past, the analysis done by Claudia R. Williamson written as a research report titled 'Exploring the failure of foreign aid: The role of incentives and information' [7] is used to list out the reasons, apart from including own analysis to the list.

Is aid a positive factor in the ultimate goal of eliminating poverty and improving the living conditions of people?

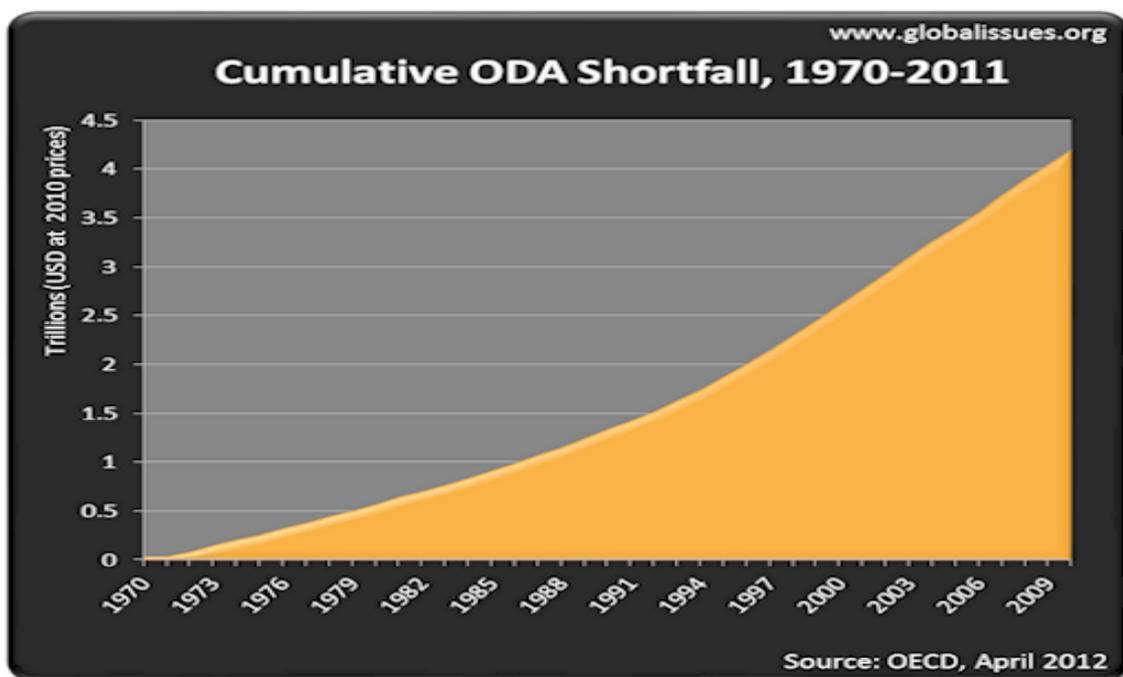
There are two contrasting theories for aid – the public interest theory articulates foreign aid fills the investment gap and lift countries out of the poverty gap. The opposing theory, public choice perspective argues foreign aid is in-effective and damaging recipient countries. The two theories are correct in their argument which can be proved by the instances of both successes and failures in aid projects. Supporting the public choice perspective theory is the example of Africa where \$568 billion dollar has flowed in, yet the per capita growth of the median African nation is close to zero. Even though in the current situation, the ultimate Millennium Development Goal(MDG) of eliminating extreme poverty in developing & under-developed countries is not achieved through aids, small successes such as increasing literary rate has been achieved with the help of foreign aid.

**4.1.1.1 Reasons for failure of foreign aid because of the donor:** The first and main problem with failure of foreign aid is associated with the selection of aids. The developed economies which are able to provide a substantial amount of aid faces problems in identifying the recipients and prioritizing the projects.

The tri-lateral and multi-lateral projects face with the problem of lesser accountability which may result in poorer operating cost efficiency and an increase in time taken for completion.

The aid agencies are calling for increase in aids as the solution for the failure of aids instead of analysing the reason behind it. Example is of United Nations year 2000 goal of universal primary education, which is still existing as an uncompleted goal and targeted now for 2015.

The developed economies are not fulfilling their amount they promise to use for foreign aid. This creates an un-planned shortfall in the planned budget of the poor countries



**Figure 4.1:** Cumulative ODA Shortfall 1970-2011 (Source: OECD, April 2012)

Government targeting very ambitious projects like "Ending Extreme poverty in a country" rather than a very achievable project like "Fixing water problems in an area", "Providing housing facilities for a locality" which is achievable.

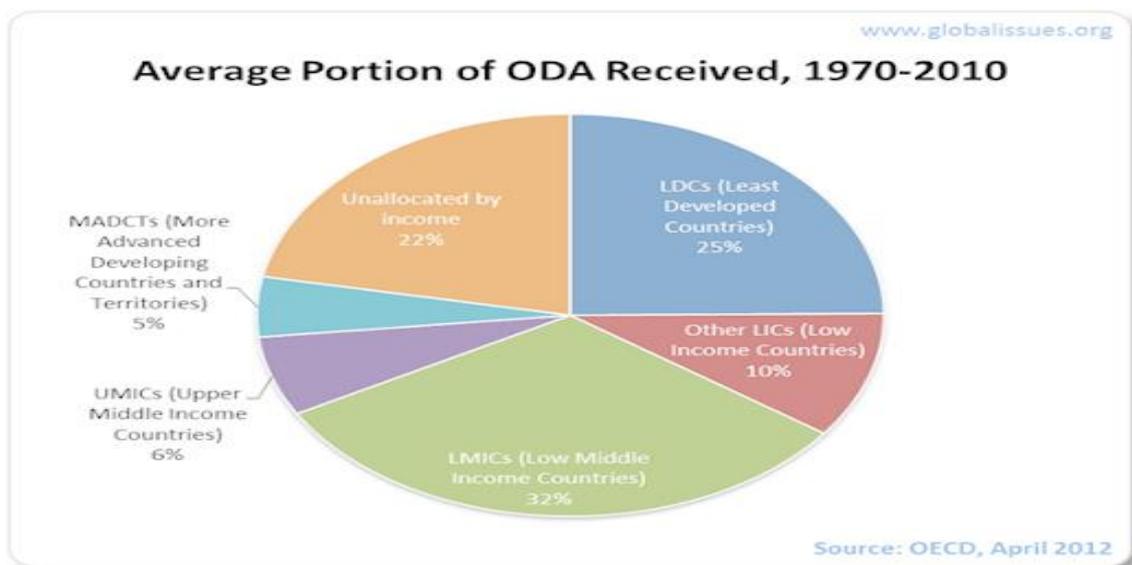
Government instead of targeting on a specific issue is trying to satisfy all the goals which leave all the goals underfunded. The benefit from specializing in only one specific part is lost in this case.

Bi-lateral and multi-lateral agencies has more objectives besides poverty reduction such as promoting allies, promoting country's exports which makes the none of the objective served.

The project can have more selectivity if the aid directly reaches the beneficiaries bypassing the corrupt dictators, but is a double edged sword where the donor people may be not be knowing the real state of the beneficiaries.

Donor has lesser incentive in monitoring the successful operation of the project and this weakens the incentive of the recipient government to achieve successful results.

Donors are tending to give aids to countries which were their old colonies. This can be seen from United Kingdom providing very higher aid donations rather than helping other poor countries.



**Figure 4.2:** Split of ODA received by countries 1970-2010 **Source:** OECD 2012

Most of the top - down approach failed while the bottom up approach got succeeded. So a de-centralized model works better than a centralized model in most of the projects. Beneficiary driven model is one example of bottom up approach. E.g. several aid agencies and bureaucrats have attempted to help prostitutes in India by taking them out of the business and placing them in shelters to be trained in other professions. However, these other professions typically pay less than sexual services so the women return back to prostitution. The increase in the spread of HIV was causing major concern for these failed attempts. To try and combat this problem, a public health clinic in India decided to take another approach. The team learned of the subculture within prostitution and found that by engaging in peer education, condom usage dramatically increased, thus reducing the spread of HIV.

Other problems like creating a dependency on aid, undermining local markets, destroying institutions, increasing conflict, increasing rent-seeking activities, and altering incentives to engage in less productive activities can also arise because of aid.

**Predictability:** Few of the foreign aids are unplanned which leaves the funding not included in the yearly budget. This may result in poor execution of the cash.

#### 4.1.1.2 Reasons for failure of foreign aid because of problems at the recipient side

Similar to donor's confusion in finding the people who are in need, the recipients also face with the problem of finding the proper donors.

Foreign aids have failed even when there is a good accountability and support from the donors.

**Lack of Feedback:** Since bottom up approach works better in community driven projects, a feedback system is necessary to satisfy the need in the effective way. Most of the foreign aids today lack a proper feedback system from the consumers of the aid and even from the recipient country.

**Political Problems:** Even in cases where all the factors that affect the effectiveness of the project do not exist, foreign aid had failed. A possible case of this scenario is of political problems existing with the country. Example is that of the scenario in Syria where the area led by a group gets the full aid while the remaining area of North Syria didn't have any aid allocated.

#### 4.1.2 Aid to multi-laterals [\[11\]](#):

A report won't be complete if the multi-laterals are not involved in the discussion. I wish to put forward the multi-lateral views of Owen Barder, who is the Europe Director at the Centre for Global Development, apart from including views of my own.

**Relative immunity from capture:** A multi-lateral is not bound by any political motives while doing a project. So the factors of supporting a country for political reasons do not happen with a multi-lateral.

**Economies of Scale:** Multi-lateral projects are huge and span across continents. Procurement happens in very large quantity when it comes to multi-lateral projects. This improves the cost effectiveness by reducing the average fixed costs & overhead costs associated with procurement.

**Un-tied aids:** Problem with few of the bi-lateral aid is the use of in-effective channels like tied aid which becomes a costly mandate to follow for the recipient which makes the aid less effective. The same problem does not happen with the projects dealt by multi-laterals.

**Co-ordination problem:** I wish to add my view on bigger tri-lateral projects where more than two countries join hands to work on a project. These projects have a serious issue of lack of co-ordination which can make the project poor in cost effectiveness apart from consuming more time. Example is that of a forestry project in Vietnam jointly funded by 5 donors who took 18 months and the involvement of 150 government workers to buy five project vehicles, because of the different procurement requirements of the different donors.

**Diversity and breadth of membership:** The multi-lateral will be formed by experts from different nations which bring in a wide range of experiences.

**Reasons for going for bi-lateral programs:** Politicians prefer bilateral aid because it increases the prestige and reputation of the donor country. NGOs and consulting firms reckon they have a better chance of getting a slice of aid spent through their flag-carrier aid agency. The aid bureaucrats in many governments prefer to control spending themselves than to provide core funding to multilateral agencies.

#### **4.2 Gap analysis:**

The External Affairs Ministry of United Kingdom, so-called the Department of International Development (DFID) is one among the best rated bilateral agency judged by the various factors of aid program effectiveness. DFID is one of ten agencies that fully reports aid flows to OECD, and it lists number of staff, administrative costs, salaries and benefits and its ODA budget on its website. DFID also has relatively low administrative costs and salaries and benefits relative to aid disbursements (2.6% and 1.6% respectively). DFID relies on more effective channels of aid disbursements, not tying any of its aid and dispersing relatively little food aid (1.3%).

But there is problem with following the same strategies of DFID because of the completely different structure of the economy of the two nations. To articulate this, GDP and the per capita income of United Kingdom is much greater than India. It won't be cost efficient for India, which houses more than a third of the world's poor, to follow the same principle, because of the fact that the strategies followed by UK incurs a huge fixed costs. To give an example, United Kingdom gives around 35 percent of the share to multi-laterals. But the problem with going for multi-laterals is the huge overhead costs because of the high administrative costs thanks to the high consultancy costs. The strategies followed by United Kingdom can't be directly applied to the India context because of the vast difference in the economic conditions, but few of the best practices of DFID can be followed to improve the effectiveness of the projects.

Listed below are the areas in which DPA needs improvement to become a more successful aid agency.

I) Transparency

II) Visibility

III) Impact Assessment

IV) Operating Efficiency

- V) Bureaucratic system
- VI) Ad-hoc approach in providing aid
- VII) Feedback systems
- VIII) Community driven projects
- IX) Burden on the partner country officials
- X) Focussing on the wrong parameters
- XI) Tied aids

**Transparency:** Transparency is an important parameter because by making the data available to the public, it improves the accountability of the agencies involved because of the mandate to display a better designed project to the public.

Transparency is one of the main parameters DFID is scoring well above other bi-laterals. Example is of a social networking site named face-book in which MEA has a web page. Even though this page is for increasing the visibility to the public, this page restricts itself to publishing only visits done by Indian dignitaries with their counterparts. The foreign policy and project information are not disclosed to the public.

**Visibility:** Most of the Indian projects are lesser visible to the public with few exceptions like the successful Sri-Lankan housing project done by India. Increasing the visibility of the project can provoke people to suggest their ideas to the project. India, even though tried to be transparent, there were many places which were perceived as less transparent because of their low visibility. To articulate, it is tough to find the major foreign missions of India by seeing the DPA web-site's homepage, while a person checking the DFID website can easily find in the home page its current and future missions(For screen shots refer fig 1-4 in appendix B).

**Impact Assessment:** Impact assessment of humanitarian aid is getting more focus in recent times. It is tough to find impact assessment of aid programs because of the need of greater participation from the beneficiary and the cost involved in measuring the impact assessment. [Table 4](#) <sup>[12]</sup> below shows why impact assessment for a project is needed, who needs it and why they need it (Source adapted from Hofmann et al., 2004).

Since DPA is formed as a very new organization, the impact assessment mechanism of the agency is in a nascent stage. Currently, the exercise of reviewing India's aid performance is largely left to government field offices. It would be useless to invest a huge percentage of a fund in a project that does not bring a good

impact in the lives of the people. Refer Appendix B for few of the methods used in impact assessment.

**Operating efficiency:** The cost effectiveness of the foreign schemes is not measured, even if measured it is still not visible to the public. The Paris declaration says to focus on outcomes as a measure of performance. But it would be operationally inefficient a great deal of money to produce an average outcome.

**Bureaucratic System:** Government agencies are driven by bureaucracy system. But the problem is, a bureaucratic system alone does not make the people working under it to be accountable, because of the fact that they does not have a direct incentive to do their work in the best possible way. Even though, it may not apply to the people in higher ranks of a bureaucracy, it at-least applies to the people in the lower half of the ladder.

**Ad-hoc approach in providing aid:** India which once followed a sector based allocation of funds has shifted it to an ad-hoc approach of providing aid. Sector based approach can give a country a balanced overall development which is lost in the case of ad-hoc based approach.

**Feedback system:** DPA has managed to implement a successful beneficiary driven model as in the case of Sri-Lankan housing project. The Indian government gets the feedback from the recipient and funds the project which the partner country thinks as priority feedback. Even though the usual problem associated with not getting the feedback is resolved using this approach, in few cases because of the lack of proper institutions, the beneficiary will not be in a situation to find and prioritize their needs.

**Burden on the partner country officials:** The donors who are accountable wish their fund to be used in the most effective way by the recipients. They expect frequent reports from the recipients to ensure the work is done properly. But even though it tries to make the recipients more accountable, it creates a burden on the partner country officials, which diverts them from other important functions.

**Focussing on the wrong parameters:** Most of the projects are performed focussing on the inputs needed for the project rather than the outcomes. In other words, in most of the projects, no target is set to achieve. E.g. literary rate of Afghanistan is 34 percent. The project can be targeted like increasing the literary rate to 50 percent instead of donating \$10 million for education.

**Tied Aids:** Even when the Indian government has announced the removal of tied aids, this ineffective aid delivery is still in practice in Indian led aid projects. Even though the tied aid policy is very lesser in community driven projects, it still exists in projects dealing with Infrastructure development with 75% of the resources to

be procured from India. Apart from this, a significant part of the LoC given to fund these projects in a concessional term is getting back to India because of the reason the Infrastructure project is implemented by an Indian company. But there is a good feature in these is the labourers used in these projects are from the local country.

## 5. Analysis of various strategies

<b>To modify the team structure</b>	
Bureaucracy effect can be reduced by having a clear team structure. Even though government organizations are led by a bureaucratic system. Below are few suggestions for a structured team.	
Alternative I	Community Driven projects, Infrastructure project, Institution Development, New Business Development
Alternative II	Team Structure based on motive - Decreasing poverty, Improving Infrastructure, Community driven projects, Disaster Relief
Alternative III	Team structure based on domain -Strategy, Finance, Operations, HR
Alternative IV	Geographical team Structure - Least developed countries, Developing countries; Asia, Africa, Latin America
<b>To improve feedback mechanism</b>	
Alternative I	<p><b>Existing Scenario:</b> Indian government is acting as a development partner in the areas the partner country thinks as priority.</p> <p><b>Analysis:</b> The partner government becomes more accountable because of the reason of being involved in the decision making. Even though in a Centralized feedback system where the government officials have control over the decision, it has its negative feature of limited availability of information.</p>
Alternative II	<p>Social networking sites like Facebook should be used to publish the projects planned and the methodologies. The social networking site should not be restricted only to posting the International visits of the officials. But it should post the methodologies used which creates a great sense of accountability and transparency.</p> <p><b>Analysis:</b> This would also create a de-centralized approach to information and gets new ideas and framework from the public.</p>
Alternative III	<p>A third alternative is to add a webpage in the MEA web-site or high commissions at foreign locations asking for feedback from the government as well as the public.</p> <p><b>Analysis:</b> By using this de-centralized feedback mechanism, huge information can be got from the public which will be helpful in knowing the real priority need of the people. The donor can then help with the development plan based on the priorities given by the partner government and the de-centralised information from the public.</p>
<b>To improve transparency</b>	
A process is said to be lesser transparent if it falls in one of the below three categories-(I) If the information about the project is concealed; (II) If the information is published in a such a way the target customer does not	

<p>understand; (III) If the information is published but the target audience does not know such information exist.  <b>Recommendation:</b> An existing independent regulatory organization (or) a regulatory organization formed by a consortium should be regulating the information that should be disclosed by the aid organizations.</p>	
Alternative I	<p>An existing independent organization in India should regulate the aid agencies under the MEA, mandating the information that should be published for a project and made public.</p>
Alternative II	<p>A new division should be formed in India under MEA mandating the information that should be published for a project and made public.</p>
Alternative II	<p>A new or existing institution formed under a consortium like BRICS, RIC or a joint program with any other similar country regulates the information need to be published by the aid agencies.  <b>Analysis:</b> DPA loses control but accountability is increased</p>
<p><b>Improve Impact Assessment</b></p>	
<p>Impact assessment should be done based on outcome and impact parameters rather than input, output parameters</p>	
Alternative I	<p>Develop expertise in impact assessment by making a separate division under DPA.  <b>Analysis:</b> This would give the DPA a full-fledged organization. But there is a little chance that the impact assessment can be misrepresented for projects done by DPA</p>
Alternative II	<p>The impact assessment can be done by any private organization that is not directly linked to DPA.  <b>Analysis:</b> DPA does not have much control over the impact assessment. The impact assessment by another organization may give authentic results</p>
<p><b>Strategy for Aid to multi-laterals:</b></p>	
<p>India is reducing the funds it is providing to multi-laterals and shifting itself to bi-lateral programs. Multi-laterals should not be ignored while allocating funds due to few of its advantages mentioned before in the paper. But there are few strategies to consider while giving aid through multi-laterals channels. Multi-laterals operate projects which are of a much bigger scale than that done by bi-laterals. They achieve economies of scale while purchasing resources needed for the project. But this effect is reduced because of the huge consultancy cost associated with multi-laterals. If the funding country wants to get some preferential treatment over other countries, it should use that fund in bi-lateral channels.</p>	
Alternative I	<p>If India plans to fund a foreign project of huge size which spans across multiple countries, it is advisable to fund multi-laterals in performing the project.  <b>Analysis:</b> The consultancy costs to multi-laterals even though high, will be much lesser when compared to the overall budget of the project. This strategy can be followed</p>

	provided the multi-lateral agency involved in implementing the project is rated high in its effectiveness. Example is that of the multi-lateral agency World-Bank which scores better in efficacy when dealing with projects.
Alternative II	<p>This strategy can be followed when the consultancy costs associated with multi-laterals occupies a huge percentage of the overall budget of a project, which is very huge in its size for a bi-lateral country.</p> <p><b>Analysis:</b> In these cases, instead of funding multi-laterals like UN, World-Bank and IMF huge projects can also be performed through the consortiums like BRICS (Brazil, Russia, India, China, South-Africa), BRIC (Brazil, Russia, India, China), RIC (Russia, India, China), IBSA (India, Brazil, South-Africa). The problem with the strategy is the lack of co-ordination existing during procurements and making decisions. To reduce this negative factors existing with these consortiums, an independent agency similar to DPA can be formed except for the fact that this independent agency has members from the countries in the consortium. The only other job of the countries involved is providing funds to this independent agency with-out involving in any of the decision making except for very serious issues and the agency does not have any mandate to accept the decision.</p>
<b>To reduce the burden of the partner country officials &amp; Make Information more reliable</b>	
Excessive reports deviates the partner country officials from their priority tasks. But the development partner needs reports to track the progress of the official assistance (ODA).	
<b>Aim:</b> To make the officials from the recipient country to work on their priority tasks.	
<b>Best possible Alternative:</b> Alternative IV	
Alternative I	<p>A separate audit team should be formed which interrogates with the officials involved and gets the data necessary for making the report</p> <p><b>Outcome:</b> Satisfies the aim.</p>
Alternative III	<p>A team from the donor or recipient country should be formed which closely works with the teams involved in the project and makes the progress report of the project.</p> <p><b>Outcome:</b> Satisfies the aim. Report can be reliable.</p>
Alternative IV	<p>Two teams one from the recipient side and another from the donor side should make independent reports by working closely with the teams involved in the project</p> <p><b>Outcome:</b> Satisfies the aim in the best possible way. Independent reports made by the two teams can be cross verified to check the integrity.</p>

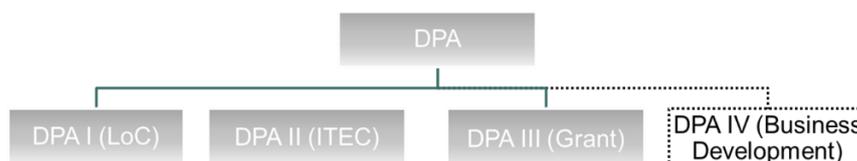
**Removing tied aid:** India is currently following the in-effective channel of tied aid. Infrastructure projects done by India in foreign nations are tied up to 75%. India should try reducing this mandate at-least to least developed countries and other poor nations of Africa and mandate the country to procure from the local vendors of the recipients itself. This will create a small multiplicative effect in economic activity and if all the countries giving aid to these countries follow the same can lead to a greater development in the recipient country. The Indian government can however give an option to procure the resources from India provided there is a scarcity of resources in that recipient country. India can also give technical support to these poor nations if needed and set some quality control, similar to the one done by the Japan International Cooperation Agency (JICA) for implementation of Delhi Metro Rail Corporation (DMRC).

**Improving knowledge about the recipient country:** India leaves the decision of choosing the priority sector which needed attention mostly to the recipient country. India can't judge much about this priority by having talks of three to four hours by the teams of the two countries. India can lessen this ignorance level by sending an expert team of five to six people to analyse the current situation of few of the poorly developed recipient countries and prepare a report about the path the country should follow to achieve economic betterment. India, which has gone through similar phases as the recipient country can make a better judgement for the country.

**Strategy for reducing the problems with bureaucracy:** Government agencies do not have any specific goal set to be achieved. So it operates under the bureaucratic model with pre-defined procedures to follow which alone does not make the officials to be accountable. But in case of corporates, there is a higher degree of accountability because of the mandate to achieve a target for that period which is usually measured in terms of profit. But government agencies, especially agencies which fund foreign projects can't operate with monetary profit as a target. So, a target other than monetary profit should be set to improve accountability. A possible target would be a score based on the operating efficiency, impact-ness of the project.

## 6. Recommendations, Scope and Strategy for Implementation

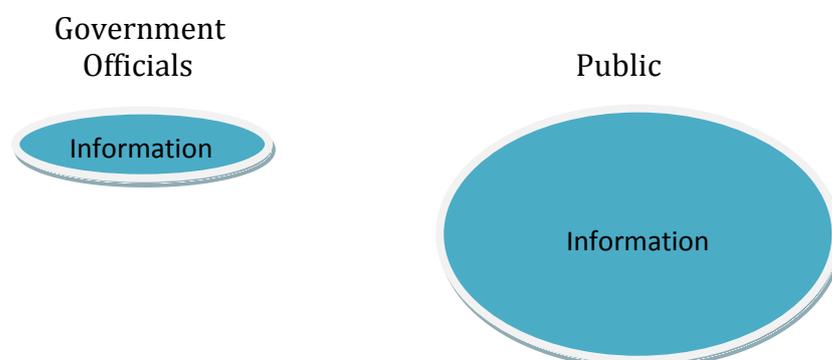
- I) **To modify team structure:** Creating business opportunities is the best way to achieve long term sustainable development of a country in the current world. Apart from the three divisions of DPA, a fourth division DPA IV can be formed to look after business development which is responsible for developing new business and helping struggling businesses in the least developed countries of Africa.



**Figure 6.1:** New divisional structure of DPA

- II) **Moving to a de-centralized feedback mechanism:** India is currently following a centralized approach of decision making in which the partner country officials convey their priority sectors to the territorial divisions of India. But it does not necessarily be the sector which is the public's needs. The government apart from following the existing feedback system can also follow the below:
- The decision making should be transferred from the territorial divisions to DPA for more effective planning.
  - Modifications in the MEA Web-site: The web-site homepage only shows the meeting that happened in the recent times. It does not show any signs of India's foreign policy and the current aid projects done by India in foreign countries.
    - The web-page of DPA in MEA can start displaying the foreign policies of India; the current projects done by India, the strategies the partner countries should follow to achieve betterment. The web-site of DFID can be taken as a reference site. A screen shot of the same is given in Appendix A.
    - Apart from these, the government should make the operating cost information of each project public in their web-site and why a particular decision was taken. This improves accountability.
    - The web-page of DPA in MEA should publish strategies for countries to prevent corruption,
  - The Indian High commission at different countries should get feedback from the public by having a page where people can request for aid, by issuing forms to people regarding their needs, taking survey through both qualitative and quantitative questions.
  - The social networking page of MEA or DPA should be modified to display the projects done by DPA in foreign countries, the

information about operating costs and should be used as a platform for discussions with the public. Information about the dignitaries meeting their counter parts should be the secondary information that should be displayed in the web-site.



**Figure 6.2:** De-Centralized Information with public

- III) **Improving transparency & Visibility:** Government organizations like DPA, RIS are not much visible to the public of India. So these organizations are cut from getting the feedback from the public. 23 out of 25 survey respondents were ignorant of these organizations.
- An existing independent regulatory organization (or) a regulatory organization formed by a consortium should be regulating the information that should be disclosed by the aid organizations.
  - The social networking page and web-site of the MEA or DPA should be made as a platform to publish the information to the public.
- IV) **Improving Impact Assessment:** India's impact assessment mechanism is at the nascent level with no clearly defined methods. The impact assessment of the projects managed by India should be performed by an independent agency and the LoC projects which are not managed by India can be assessed by a separate wing of DPA. Care should be taken the final assessment is done with the outcome and impact parameters and not with the input, process and output parameters alone (Pl. refer Appendix A for more about impact a

Implementation of the programme			Effect of the programme	
Input indicator	Process indicator	Output indicator	Outcome indicator	Impact indicator
No. of vaccines administered	No. of people trained	Percentage vaccinated	Measles case decreased	Mortality decreases

**Table 6.1:** Indicators for Impact assessment

- V) **Quality control for LoC projects:** India can define strict quality control and operating rules for projects implemented through LoC for ensuring effective utilization of the aid provided. DPA can acquire the income generated from the project for few years instead of getting back the LoC from the recipient.
- VI) **Reducing the burden of the partner country officials and make information more reliable:** Two teams, one from the recipient side, and another from the donor side should make independent reports, by working closely with the teams involved in the project. This improves accountability and reliable information collected at the end.
- VII) **Removing tied aids:** India is currently giving LoC for capacity building with a mandate of up to 75% of the goods to be purchased from India. India should lessen this 75% tied aid mandate and allow the recipient country to purchase the goods from the local vendors as long as the partner country does not purchase from a third country. The tied aid channel should not be followed even if the prices are cheaper in India than the partner country.
- VIII) **Improving the knowledge about recipient country:** India can send a team of experts to poor countries for analysing the bottlenecks in that country and for publishing reports explaining the path the country should follow to achieve betterment. India can use this knowledge to fund projects in those areas suggested by the expert team report.
- IX) **Strategy for reducing problems with bureaucracy:** Government agencies stay in the same team structure and fail to experiment new team structures even if it improves performance. DPA can experiment with new team re-structures to find which one has the best effect.  
**Current Team structure:** DPA I (LoC projects), DPA II (ITEC) and DPAAIII (Grants).  
**Sample Team structures:**
- I) Community driven projects, Infrastructure projects, Institution development, New Business development
  - II) Decreasing Poverty, Improving Infrastructure, Disaster relief
  - III) Strategy, Marketing, Finance(EXIM Bank), Operations, HR
  - IV) Least Developed countries, Low income countries, War & Conflict countries
- X) **Projects and competitions at Colleges:** Corporates when faced difficulties with solving a problem or to get new strategies conduct competitions in colleges like IITs and IIMs to get ideas from the students. DPA can also follow the same strategy,
- To find new type of foreign projects the governments can implement in a foreign country to achieve economic development-

IIMs competition can be based on economic development and IITs competitions can be based on technical development.

- To get innovative solutions for a problem faced in a project
- To prioritize the projects from a list by getting the impact of each priority
- Students of colleges like IITs and IIMs can be involved in the implementation of a project done in a partner country.

- XI) **Joint project with consortiums:** To eliminate the negative effects of huge consultancy costs associated with multi-laterals as well as the problem of lack of managing a very ambitious project spanning multiple countries, India can form along with consortiums like BRICS, BRIC, RIC, an independent aid agency which is given the power to take decisions even with-out the intervention of the countries of the consortium.

## 7. Future Work

1. Defining strategies to improve the visibility of the organizations among the public.
2. Defining strategies for improving the predictability of grant aids.
3. Analysing the areas where public-private partnership can be implemented.

4. Defining fail strategies to prevent a poorly planned project from going into failure.

## **8. Case study of Sri-Lankan Housing Project**

Sri-Lankan project is the flag-ship project carried out by India after the formation of a DPA, a full-fledged development aid agency. It's the largest Indian development project abroad and is aiming to help those displaced during the last Eelam war. The Sri-Lankan Housing project had a huge prominence from the

Government mainly because of the project's huge budget and also for the reason the beneficiaries of this project are linked with a group of people from an Indian constituency. DPA had tried to reduce the inhibitors for an effective project by using few best practices.

**About the project:** This flagship project was started for providing houses to the refugees, who were either affected or shifted from their home town during the period of war between the Sri-Lankan government and their rivalry civil group, LTTE. The Indian government had planned to either newly construct or repair 50,000 houses.

**Location of the project:** Five districts of the Northern Province – Jaffna, Killinochchi, Mannar, Mullaitivu and Vavuniya.

**Project Budget:** Sri Lankan rupees 30.6 billion (RS 1,372 crore).

**Project Start Date:** November 2010

**Teams Involved:** DPA, Four implementing agencies (IAs) -- UN-Habitat (UN-Agency), International Federation of Red Cross (I-NGO), Habitat for Humanity (I-NGO) and National Housing Development Authority (agency of GoSL) -- have been appointed by the Government of India facilitate the construction of the houses.

**Operating Model:** The Sri-Lankan project uses a beneficiary driven framework similar to cash-on-delivery model where the cash needed for construction of houses is directly transferred to the beneficiaries. The beneficiaries are selected by the 4 implementing multi-lateral agencies. The owners are also monitored through a dedicated development co-operation wing set up by the High commission of India in Colombo to facilitate the implementation of the project.

The project is planned to be completed in phases.

**Phase I:** The project started with phase I which followed an agency driven model. Phase I, which was also the pilot phase, involved the Indian government constructing 1000 houses which were handed to the refugees.

**Phase II:** The second phase which started on October 2, 2012 followed a beneficiary driven model. Phase II operates through one of a kind framework ever done by DPA where the project cost is directly transferred to the beneficiaries account. A cash grant of 5.50 lakh Sri Lankan Rupees directly into the bank accounts of beneficiaries in four instalments for construction of new houses and a cash grant of up to 2,50,000 Sri Lankan Rupees in three instalments for repairs of existing houses. The beneficiary is expected to build his house himself by using the instalment dispersed to him. Subsequent instalments can be availed by the

beneficiary provided he shows significant improvement in construction of his house with the first instalment.

**Phase III:** The third phase of the housing project is expected to commence before the end of this year. In this phase, about 2,000 houses will be directly built by construction agencies for people from the most vulnerable sections in the Northern and Eastern provinces unable to build their own houses and 4,000 houses for Indian-origin workers in tea estates in the Central and Uva provinces. The process of selection of executing agencies for construction of 4,000 houses is presently under way.

**Transparency:** Sri-Lankan Housing project scores good when it comes to transparency. It has disclosed the operating model of the project. The list of beneficiaries is disclosed to the public through the High Commission of India in Sri-Lanka web-site.

**Corruption at the recipient side:** A problem existing in foreign aid is the chances of corruption by few corrupt autocrats at the recipient side. This scenario is found to be more prevalent in developing countries. DPA has managed to tackle this problem by forming a direct link between the Indian Government and the beneficiaries of the project, thereby eliminating the middle men involved who may be corrupt. This direct link is achieved by transferring the cash aid directly to the beneficiaries account.

**Handling Accountability at the partner country:** One of the reasons for failure of aid program is the lack of accountability found at the recipient side. This lack of accountability is created by the donors who provide cash aids even if the previous aid programs failed. Example is that of the huge increase in cash aid given to poor African countries because of the fact that previous aid programs were not able to reduce poverty level. DPA has tackled this problem by inheriting the features of cash-on-delivery aid model. Based on this model, the beneficiaries will be paid the cash aid, in instalments. The instalments will be transferred to the beneficiary account only if a substantial progress in the construction of their house is shown. This increases the beneficiary to use the cash instalment in the best possible way to get the subsequent instalments.

**Feedback mechanism:** The reason for failure of most foreign aid to achieve the proper impact among people is the lack of understanding of the immediate local needs of the people. Numerous aids fail to satisfy the intended needs of the people because of the lack of a proper feedback system. DPA has managed to tackle this by leaving to the recipient country the identification of the priority projects.

**Outcome of the project:** The project was very successful as on date and the strategies used to improve accountability and selectivity was hugely successful

thanks to the beneficiary driven framework and the transparent nature of the project. To articulate the success of this project, people who were the beneficiaries, used their own money to proceed with the construction of their house while waiting for the next instalment from the government. The progress of the project is way ahead of the estimation with 11,379 beneficiaries started construction of their houses against the estimation of 10,000 units by March 2013.

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## 10. Appendix A

### 10.1 Figures used in Report:

The screenshot shows the DFID homepage on the GOV.UK website. At the top, there is a search bar and a navigation menu with links for 'How government works', 'Get involved', 'Departments', 'Worldwide', 'Topics', 'Announcements', 'Consultations', 'Policies', 'Publications', and 'Statistics'. The main header for the Department for International Development is visible on the left. The main content area features a large image of two women in blue headscarves, one in the foreground looking thoughtful and one in the background. Below this image is a news story titled 'UK commits to help Somalia improve security and prevent famine', dated 7 May 2013. The story text states: 'Britain will support Somali plans to help address terrorism and piracy by tackling poverty and improving security'. Below the main story are three smaller news stories in a grid:

- Northampton School wins competition to help 'shape the future'** (1 May 2013): Caroline Chisholm School is successful in competition held at the heart of Westminster.
- Helping Somali women to take a lead role in rebuilding their country** (30 April 2013): The UK government invited members of the diaspora community to help explain the challenges Somali women face – and their ideas to overcome them.
- One million jobs supported by Britain's development finance firm** (26 April 2013): The International Development Secretary has praised CDC for supporting more than a million jobs for the first time in its history.

At the bottom, there is a 'Latest' section with three more news items:

- Pakistan elections: Educating women on their fundamental rights** (published 10 May 2013) - Case study
- Pakistan elections: Supporting women to cast their vote** (published 10 May 2013) - Case study
- UK International Development Secretary to attend World Economic Forum on Africa** (published 9 May 2013) - News story

At the bottom right, there are links for 'atom' and 'email alerts'.

Figure A.1: Screenshot of DFID homepage

Figure A.2: Screenshot of DFID homepage

## What we do

DFID leads the UK government's fight against world poverty. We run long-term programmes to help stop the underlying causes of poverty and respond to humanitarian emergencies.

DFID is a ministerial department, supported by [2 agencies and public bodies](#).

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### International aid and development

Around 1.4 billion people around the world still live in poverty. The government is working with international organisations and the governments of poorer countries to help end poverty. [Read more](#)

### Our policies

#### Countering weapons proliferation

Securing global safety by preventing countries and terrorists access to the materials needed for weapons of mass destruction, and by mitigating the effects of land mines and cluster munitions.

## Figure A.3: Screenshot of DFID homepage

### Reducing the impact of climate change in developing countries

How the government is helping poor countries prepare for and deal with the impact of climate change

### Helping developing countries' economies to grow

Creating jobs for poor people in developing countries is the best way of ending poverty.

[See all of our policies](#)

## Documents

### Our announcements

UK International Development Secretary to attend World Economic Forum on Africa

9 May 2013 News story

DFID's Liz Tayler on the launch of Education Quality Improvement Programme

9 May 2013 Speech

[See all of our announcements](#)

### Our publications

Joint evaluation of support to anti corruption efforts - Zambia country report

8 May 2013 Independent report

[Joint evaluation of support to anti-corruption efforts -](#)

### Our consultations

Triennial review of the Independent Commission for Aid Impact (ICAI)

27 March 2013 Closed consultation

[See all of our consultations](#)

### Our statistics

Statistics on International Development 2006/7 - 2010/11

8 May 2013 Statistics - national statistics

[Statistics on International Development user consultation findings](#)

## Figure A.4: Screenshot of DFID homepage

## 10.2 Tables used in the Report:

**Table A.1:** Recent outflow of India's development assistance (Rs. million)

Source: Expenditure Budget, Ministry of Finance (MoF) and loan figures from Ministry of External Affairs (MEA) Report

	1990-1991	2010-2011	2011-2012	2012-2013*
<b>Afghanistan</b>		3497.5	2900	7070
<b>Bangladesh</b>	110.5	28.7	80	300
<b>Bhutan</b>	702.9	18146	20300	26380
<b>Myanmar</b>		740	1118.2	3022.1
<b>Nepal</b>	519.9	1678.6	1500	2700
<b>Sri Lanka</b>		907.5	1330	2900
<b>Eurasian countries</b>		285.7	300	300
<b>Latin American countries</b>		25.8	5	150
<b>African countries</b>	90	969	1240	2500
<b>Other developing countries</b>	1076.3	768.6	700	750
<b>ITEC</b>	134.1	1158.6	1200	1200
<b>SAARC Programme</b>		79.6	120	240
<b>SCAAP Programme</b>		159.8	150	150
<b>ADR</b>		1618.3	450	300
<b>Multilateral Economic Relations Programme(MER)</b>		133.8	360	460
<b>Investment Promotion and Publicity Programme</b>		18.4	41.1	41.11

<b>Loan</b>		4720	10410	
<b>Total</b>	<b>2633.7</b>	<b>33825.6</b>	<b>30411.1</b>	<b>48463.2</b>

Notes: \* indicates provisional figures.

**Table A.2:** Principal Destination of India's Technical Cooperation Programme (Rs. crores)

Source: MEA Annual Report (figures pertain to Revised Estimates 2012-13)

<b>Sl. No.</b>	<b>Country</b>	<b>Technical Cooperation Budget</b>	<b>Percentage of India's Total Aid &amp; Loan Budget</b>
<b>1</b>	<b>Bhutan</b>	1171.06	36.21
<b>2</b>	<b>Afghanistan</b>	491.16	15.19
<b>3</b>	<b>Maldives</b>	30	0.93
<b>4</b>	<b>Nepal</b>	270	8.35
<b>5</b>	<b>African countries</b>	237.5	7.34
<b>6</b>	<b>Sri Lanka</b>	290	8.97
<b>7</b>	<b>Myanmar</b>	125	3.87
<b>8</b>	<b>Eurasian</b>	30	0.93
<b>9</b>	<b>Bangladesh</b>	280	8.66
<b>10</b>	<b>Latin America</b>	27.61	0.85
<b>11</b>	<b>Mongolia</b>	1	0.03
<b>12</b>	<b>Others</b>	280.6	8.68

**Table A.3:** Evolution of Indian development cooperation architecture: a chronological expose

Source: Sachin Chaturvedi (2012): India's development partnership: key policy shifts and Institutional evolution, Cambridge Review of International Affairs, 25:4, 557-577

<b>Year</b>	<b>Programme</b>	<b>Purpose</b>
<b>1949</b>	Cultural fellowships established	MEA established cultural fellowships for fellow developing countries
<b>1954</b>	Indian Aid Mission (IAM)	Launched at Kathmandu for coordinating and monitoring implementation of various Indian projects in Nepal
<b>1964</b>	First Agreement for Periodic Review of development projects	This was signed with Nepal, during the visit of the Indian External Affairs Minister, to undertake a periodic review of the progress made on Indian-aided projects
<b>1966</b>	Indian Cooperation Mission (ICM)	The Prime Minister rechristened the IAM the ICM, signifying the fact that Indian cooperation goes deeper than aid
<b>1969</b>	Joint Commission (JC) in Afghanistan established for project reviews	Entrusted with (a) identifying resources and capabilities for undertaking projects of mutual interest and (b) exploring possibilities for expanding trade, including land transit trade arrangements
<b>1961</b>	Economic and Coordination Division (ECD)	A new division was established at MEA to coordinate technical cooperation among other MEA programmes
<b>1964</b>	Consolidated training programme launched as ITEC	Indian Technical and Economic Cooperation Programme (ITEC) launched as a part of the Economic Division, for which a special cell was formed
<b>1980</b>	New Economic Cooperation Wing (ECW) launched at the Nepal mission	ECW was established at the Nepal mission, subsuming ICM

<b>1994</b>	Special Volunteers Programme (SPV) launched	India launched a special programme targeting ten countries in Asia and Africa to assist in the development programmes of partner countries
<b>1995</b>	Establishment of ITEC Division	ITEC, SCAAP and ADR hived off from the Economic Division to provide greater focus on Indian economic diplomacy; later subsumed in the Technical Cooperation Division
<b>2003</b>	India Development Initiative (IDI)	Budget speech announcement of supporting fellow developing countries
<b>2004</b>	IDEAS lines of credit (LoC) launched	India Development and Economic Assistance Scheme (IDEAS) launched to provide LoC from the EXIM Bank
<b>2005</b>	Development Partnership Division	A new division created for better delivery of development projects; later merged with Technical Cooperation Division
<b>2007</b>	India International Development Cooperation Agency (IIDCA)	Budget speech announcement of setting up IIDCA as one-stop shop for coordinating all projects, LoC, technical cooperation, deputation of experts and training foreign nationals in India
<b>2012</b>	Development Partnership Administration (DPA)	A new division within the MEA established to coordinate India's development assistance

**Table A.4:** Who wants to know the results of impact assessment?

Source: Improving humanitarian impact assessment: bridging theory and practice: Karen Proudlock and Ben Ramalingam with Peta Sandison

<b>Scope of impact assessment</b>	<b>Who wants to know and why?</b>
Impact of projects	<p><b>Aid agencies</b> in order to improve their work, demonstrate impact and make choices between different strategies and scale-up programmes that work.</p> <p><b>Donors</b> to choose what to fund and to develop policy.</p>

	<p><b>Recipient governments</b> to guide disaster preparedness, planning and response.</p> <p><b>Affected populations</b> to voice concerns about needs and ensure that the knowledge generated is accurate and used in ways that improve their situation.</p>
Impact of organisations	<p><b>Aid agencies</b> to demonstrate success and raise money from the public and from donors.</p> <p><b>Governance structures</b> may require information about impacts in order to assess the strategic direction of the organisation.</p> <p><b>Donors</b> to choose between competing agencies or to make choices about whether to use NGOs or private contractors.</p> <p><b>Recipient governments</b> to choose who to register and work with as partners.</p>
Impact at a sector level	<p><b>Aid agencies and donors</b> to build up the evidence-base for what works; to develop sectorial policies and best-practice protocols and guidelines.</p> <p><b>Recipient governments</b> to develop and implement sectorial policies and best practice protocols.</p>
Impact at country level or for a particular crisis	<p><b>Donors</b> to know how many lives were saved, livelihoods supported, etc.</p> <p><b>Recipient governments</b> to learn about which policies work and which do not; to assess whether appealing for international aid was the right thing to do</p>

	<p><b>Agencies</b> to learn about and improve programming; to advocate for increases in levels of aid.</p>
<p>Impact of international engagement in a crisis, including, but not limited to, humanitarian aid</p>	<p><b>Donor governments</b> to review their overall engagement with countries in crisis (diplomatic, political, military and aid).</p> <p><b>Aid agencies</b> to advocate for greater political engagement in ‘forgotten crises’.</p> <p><b>Governments</b> to promote the coherence of political and humanitarian agendas.</p> <p><b>Aid agencies</b> to maintain the neutrality and independence of assistance.</p>
<p>All Levels</p>	<p><b>Affected populations</b> to ensure that the knowledge generated by impact assessments is accurate and used in ways that improve their lives; and to hold governments and agencies to account.</p> <p><b>Donor publics</b> to know whether the money they donated made a difference, and hold to account those in whose name funding is raised</p> <p><b>Campaigners and think-tanks</b> for advocacy influencing the formulation of policy and best-practice guidelines for humanitarian programming</p> <p><b>Academics</b> in order to further research interests</p> <p><b>The media</b> to hold to account those in whose name funding is raised, or to sell stories.</p>

## 11. Appendix B

### 11.1 Improving Impact Assessment

The aim of the impact assessment is to find whether the aid has created a positive impact among the beneficiary. Apart from that it also defined to find whether all the stake holders involved in the aid are satisfied – primarily the beneficiary, the donor government, the recipient government, the government agency, the NGO's, the multi-lateral parties, the media people and other researches involved.

There are multiple indicators associated with the impact measurement of a project- Implementation indicators namely Input, Process and Output, and Effect indicators namely Outcome and Impact [8].

Implementation of the programme			Effect of the programme	
Input indicator	Process indicator	Output indicator	Outcome indicator	Impact indicator
No. of vaccines administered`	No. of people trained	Percentage vaccinated	Measles case decreased	Mortality decreases

The final measure of impact assessment should be that of the Effect indicators rather than the Implementation indicators because a training programme does not necessarily mean the person attending the program got trained.

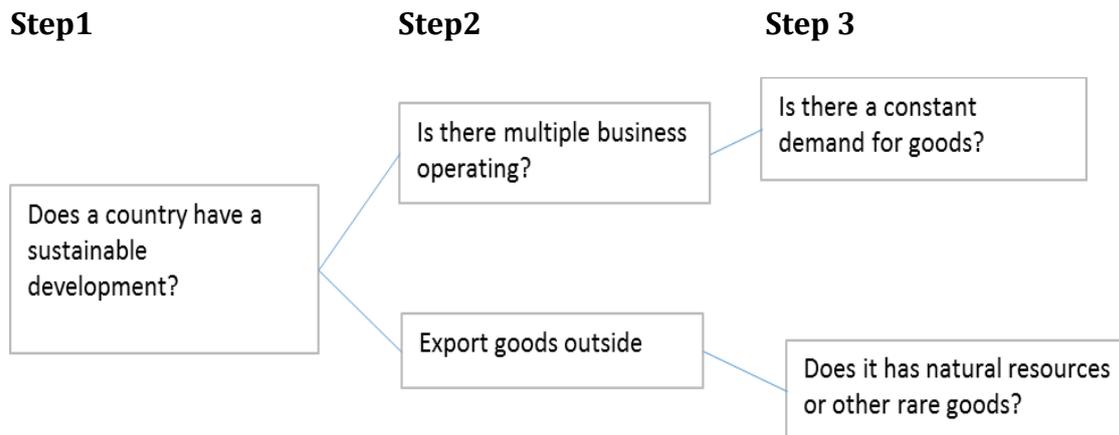
Below are three methods by which impact assessment can be done.

- I) Comparative method,
- II) Theory based approaches &
- III) Qualitative & Quantitative methods

**Comparative method:** To establish a counterfactual- What would have happened if the intervention has not taken place. This can be done by comparing the data with similar areas in which the intervention has not happened.

Randomized controlled trails -Randomized groups are chosen and a controlled study is done with the group. For e.g. Giving training to a group of people and finding their improvement over others, Giving cash or food each to two different groups and finding which group has maximum positive impact.

**Theory based approaches:** Step 1 it to identify the list of possible causes for the outcomes and impacts of interest.  
Step 2 is to identify the conditions necessary for each possible cause in the list to have an effect on outcomes or impacts.  
Step 3 is to find out whether the conditions for each possible cause are present or not.



**Quantitative & Qualitative Methods:** One of the other method followed for impact assessment after aid programs and used in corporates is surveying people through asking Quantitative questions like ‘What do you feel you through the aid program is the most important’ or qualitative questions like ‘why do you like it?’. The results of the impact assessment will be better if both the qualitative and quantitative methods are used in combination.

# RAKSHAK FOUNDATION

**Rakshak Foundation** is a 501(c) (3) non-profit organization headquartered in Santa Clara, California. It partners with Rakshak Foundation NGO, New Delhi, India. It researches different public policy issues and creates awareness about them. Rakshak Foundation sponsors Seminars on public policy matters, sponsors activities to involve the youth in social issues including volunteerism and supports programs to help the needy. Rakshak's Summer Internship Program is aimed at providing an opportunity to highly motivated college students to work on complex real life social/national problems under the mentorship of experts and policy makers.

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